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**Report from the Commission to the European Parliament, the Council and the
European Economic and Social Committee**

**2011 Annual Report on Financial Assistance for Enlargement (IPA, PHARE, CARDS,
Turkey Pre-Accession Instrument, Transition Facility)**

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A. FINANCIAL ASSISTANCE TO ICELAND, THE WESTERN BALAKANS AND TURKEY

CROATIA

1. SUMMARY

For **Croatia**, 2011 marked the culmination of its accession negotiations with the European Union, with the closure of the accession negotiations on 30 June 2011, followed by the signature of the Accession Treaty on 9 December 2011.

The implementation of EU financial assistance in 2011 in Croatia, also in line with the priorities selected for the MIPD 2011-2013, accompanied these developments by providing support for completing reforms and building up capacity in the key areas necessary for assuming the obligations of membership, such as justice and home affairs or public administration reform, as well continuing the efforts of preparing Croatia for the use of post-accession funds. The 2011 IPA programme of EUR 39.159 million is consistent with these priorities.

A Special Report by the Court of Auditors, finalised after a meeting between the Commission and the Court in October 2011, concludes that EU pre-accession assistance is making a significant contribution to supporting Croatia's preparations to manage structural and cohesion funds. It also stressed that further progress in capacity-building to manage EU funds is needed.

2. STRATEGIC PLANNING AND PROGRAMMING

2.1 Multi-annual Indicative Planning Document

In contrast to the 2009-2011 MIPD, which structured the priorities for EU assistance according to the Copenhagen criteria for enlargement (the political criteria, economic criteria, and the ability to assume the obligations of membership), the 2011-2013 MIPD reflects the shift to a more sectorial approach to EU financial assistance under the IPA Instrument. A positive effect of this new approach was the more targeted assistance allowing easier identification of the remaining gaps as well as improving donor coordination.

The key sectors identified for EU assistance and detailed in the MIPD are as follows: 1. Justice and home affairs and fundamental rights; 2. Public administration reform; 3. Environment and climate change; 4. Transport; 5. Private sector development; 6. Social development; 7. Agriculture and rural development.

The choice to focus on these particular sectors came as a result of the conclusions highlighted in the Enlargement Strategy and Main Challenges 2010—2011 and the accompanying 2010 Progress Report for Croatia¹, where the need to consolidate reforms in the fields of rule of law, fight against corruption and reform of the public sector had been identified as key accession priorities.

Moreover, addressing the priorities identified under the sectors 3 to 7 continues to contribute to the "Europe 2020" objectives of the EU by improving regional competitiveness, as well as human capital and natural resources management. The implementation of the assistance in these sectors took place under IPA Components III, IV and V, allowing Croatia to continue its preparation managing decentralised funds. A special report published by the Court of Auditors² has confirmed the good management of these funds.

Table 1: MIFF³ allocations per component, in EUR million

Component	2011	2012	2013	2011-2013
I – Transition Assistance and Institution Building	39,959,128	39,969,161	19,256,943	99,185,232
II – Cross-border cooperation	15,869,158	16,442,542	8,499,192	40,810,892
III – Regional Development	58,200,000	57,578,127	31,000,000	146,778,127
IV – Human Resources Development	16,000,000	16,040,000	9,000,000	41,040,000
V – Rural Development	26,500,000	26,151,182	27,700,000	80,351,182
TOTAL	156,528,286	156,181,012	95,456,135	408,165,433

2.2 Programming

2.2.1 Component I

The 2011 National Programme for Croatia under the IPA Transition Assistance and Institution Building component was adopted by the European Commission on 11 November 2011, on the basis of a proposal from the Croatian National IPA Coordinator (NIPAC) and

¹Enlargement Strategy and Main Challenges 2010-2011, COM(2010) 660 of 9 November 2010, http://ec.europa.eu/enlargement/press_corner/key-documents/reports_nov_2010_en.htm

² European Court Of Auditors: "Has EU assistance improved Croatia's capacity to manage post accession funding?" Special Report No 14/2011

³Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2011-2013', COM(2009)543 of 14.10.2009.

following extended consultations with the European Commission. In addition to this programme, EUR 0.33 million have been allocated to support activities on "Connecting the Croatian Customs Administration (CCA) to the Common Communication Network and Common System Interface" and EUR 5 million to support the preparation of a project pipeline for Structural and Cohesion Funds in Croatia under the JASPERS facility (Joint Assistance to Support Projects in European Regions). These two projects were adopted separately from the main National Programme in order to allow a quicker implementation.

The main 2011 programme contains 10 projects, with the total EU contribution amounting to EUR 33.8 million. Given Croatia's advanced stage of membership preparations, and in line with the 2011-2013 MIPD, the EU assistance under this IPA programme increasingly moved from sheer adoption and concrete implementation of the *acquis* to more general administrative strengthening of post-accession priorities, with a particular focus on justice, home affairs and fundamental rights, as well as public administration reforms. These priorities had also been highlighted in the Enlargement Strategy and Main Challenges 2010—2011 and 2010 Croatia Progress Report⁴.

The Commission, with the support of the EU Delegation in Croatia, organised consultations, both on the MIPD 2011-2013 and on the 2011 National Programme, with EU Member States' embassies and local branches of International Financial Institutions (IFIs) in Zagreb. The assistance provided by IFIs and bilateral donors further reinforced the prospects for sustainability of EU assistance, with a good example provided by the Justice Sector Support Programme financed by the World Bank, which started in 2010 (EUR 27.9 million) and thus complementing the actions to be financed by the IPA 2011 national programme.

Lessons highlighted by a number of IPA related evaluations, such as the thematic Public Administration Reform⁵ evaluation, the Country Programme Interim Evaluation 2009 (performed by the European Commission), as well as the Country Programme Interim Evaluation 2010 (carried out by the Croatian authorities), were taken into account in the course of the programming process. In particular, more attention was paid to conditionality and sequencing, where measures have been deployed to improve the administrative ability to implement projects and to enhance the involvement of decision-makers in the execution of projects, and to facilitate inter-institutional coordination.

Furthermore, following the mid-term evaluation of IPA assistance, the NIPAC has taken on a more proactive role throughout the project preparation and selection process. In particular, efforts were made to enhance their role in the prioritisation, sequencing and quality assessment of project proposals before their submission to the Commission.

⁴ Enlargement Strategy and Main Challenges 2010-2011, COM(2010) 660 of 9 November 2010, http://ec.europa.eu/enlargement/press_corner/key-documents/reports_nov_2010_en.htm

⁵ Supporting Public Administration Reform in Croatia – Thematic Evaluation of EU and other support, MWH Consortium, June 2009.

Table 2: Indicative financial allocations for the year under the National Programme, per priority axis and per project, in EUR million:

Priority Sector	Projects	Budget
Sector 1: Justice and Home Affairs and Fundamental Rights		19.153
NP 2011 part 3 - 1)	01-23 - Support to the rationalization of court network	9.376
NP 2011 part 3 - 2)	01-35 - Civil Society Facility – Active Civil Society for ensuring durability of policy reforms in post-accession Croatia	2.859
NP 2011 part 3 - 3)	01-23 - Restoration and Equipping of the premises for PNUSKOK Osijek and Rijeka	1.793
NP 2011 part 3 - 4)	03-24 - Strengthening capacities of the Ministry of the Interior to combat computer crime	0.665
NP 2011 part 3 - 5)	03-24 - Construction and Equipping of the Centre for Training Dog Handlers and Police Dogs	2.312
NP 2011 part 3 - 6)	03-24 - Upgrading the capacities of the Reception Centre for Foreigners	2.148
Sector 2: Public Administration Reform		3.762
NP 2011 part 3 - 7)	03-18 – Technical assistance in development of business statistics and upgrading of data collection system	0.693
NP 2011 part 3 - 8)	04-40 - Flexible Facility for Reinforcement of Administrative Capacity	2.739
NP 2011 part 1	"Connecting the Croatian Customs Administration (CCA) to the Common Communication Network and Common System Interface (CCN/CSI)"	0.330
Sector 3 + Sector 4: Environment and Climate Change" and "Transports"		5.000
NP 2011 part 2	JASPERS - Support to the preparation of a project pipeline for Structural and Cohesion Funds in Croatia	5.000
Sector 7: Agriculture and Rural Development		4.180
NP 2011 part 3 - 9)	03-11 - Strengthening the PAAFRD capacities for meeting the challenges arising from the CAP and the	4.180

	CFP reforms and the post-2013 period	
Supporting programmes		7.062
NP 2011 part 3 - 10)	04-65 - Participation in Union Programmes and Agencies	
TOTAL		39.159

2.2.2 Component II

The Financing Decisions allowing for the deployment of IPA 2010 and 2011 funds regarding CBC with Western Balkan countries had been adopted in August and September 2010. In 2011, the CBC envelopes available for actions on borders with Croatia amount to EUR 2 million, for the border with Bosnia and Herzegovina EUR 0.9 million, for the one with Montenegro, EUR1.8 million and the same amount is allocated for cooperation with Serbia, these amounts representing the contributions from both sides of the border for each programme.

In the course of 2011, all 2008 CBC programmes between Croatia and its IPA neighbouring countries (3 programmes) were granted an extension of the contracting deadline to allow for the full implementation.

2.2.3 Component III

Under IPA Component III, "Regional Development", the programming exercise continued to follow a multi-annual approach, mirroring the Cohesion and Structural Funds approach. Three Operational Programmes related to the Environment, Transport and Regional Competitiveness sectors were originally agreed for the period 2007-2009. They underwent a first revision in 2010 following the allocation of 2010-2011 funds, and will be revised again in 2012 in order to cover the full programming period (2007-2013).

Despite these two revisions, the strategic priorities of these programmes remain the same: the development of waste management infrastructure, the improvement of the water supply and the waste water management systems, the upgrading of the rail and inland waterway systems, the support of business-related infrastructure, to the technology transfer and the Small and Medium Enterprises (SMEs).

2.2.4 Component V

With regard to the multi-annual programme 2007-2013 for IPA Component V, adopted in February 2008, a fourth proposal for modification was submitted to the Commission in July 2011, following consultations and approval by the national stakeholders.

Croatia proposed a number of technical modifications meant to improve clarity and simplify the administration and implementation of the programme by taking into account experience gained so far. The main modification concerned the technical adaptation of measure 202 "Preparation and implementation of local rural development strategies". These updates were also intended to harmonize the programme with the accreditation process. This measure is particularly crucial in the involvement of local rural actors as well as the implementation of IPARD⁶ through public-private partnerships and Local Development Strategies.

Moreover, due to lessons learnt from earlier practice, this amendment is expected to increase absorption thanks to the eligibility of projects from Axis I measures for realisation under Local Development Strategies.

Additionally, Croatia has proposed to broaden the scope of potential beneficiaries under the Measure 101 "Investment in agricultural holdings" adjusting and updating the programme indicators.

3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2011

3.1 Success stories

IPA 2008 Component I 'Support to the establishment of a State School for Judicial Officials', EUR 230 000.

Starting 2013 Croatia will appoint new judges and prosecutors exclusively from candidates who having successfully completed the two-year cycle. This project supported the Croatian Judicial Academy, in charge for the School and other involved institutions (State Judicial Council, State Prosecutorial Council, etc.) in preparing a training strategy, developing training programmes, and strengthening selection procedures through structured interviews based on objective criteria. The project contributed to the general need, based on EU standards, of increasing the independence, professionalism and accountability of the judicial system. Specific recommendations were provided in order to guarantee the success of the School in recruiting the most suitable candidates becoming the future Croatian judges and prosecutors responsible for managing the Croatian judicial system within the EU internal market and called to verify on the correct implementation of the EU law in Croatia.

⁶ Instrument for Pre-Accession Assistance for Rural Development.

IPA 2008 Component I 'Developing the National Information System for Nature Protection Supervision', EUR 250 000.

The purpose of the project was to ensure the sustainable management and strengthening of supervision in proposed Natura 2000 sites through improved administration of biodiversity data for efficient implementation (pursuant to the Birds and Habitats Directives). The project contributed to the development of an information system that will be used by inspectors and supervisors engaged in nature protection supervision. New additional functionality and new software modules, specially designed for nature protection inspection and supervisors, were established.

IPA Component IV 2007-2011, 'Vocational Education and Training (VET) Quality Assurance Development', EUR 1.74 million.

The project assisted with the implementation of pilot self-assessment process in 20 VET secondary schools throughout Croatia, in line with the recommendation of European Quality Assurance Reference Framework for VET (EQARF-VET). The Self-Assessment Manual produced with the assistance of the project will serve as the main guiding instrument for the remaining approximately 300 VET schools in Croatia to undertake the same self-assessment process. The experience of 20 piloted schools' staff will be available through peer learning activities organized among VET schools, and is already available through a web-based tool which was created with the assistance of this project. In future all VET schools will upload the relevant documents into this newly created tool. This will ultimately result in creation of a comprehensive database which will allow overview at national level and will allow the responsible national authorities to adopt informed decision for modernisation of formal VET in Croatia.

3.2 Overview of the implementation status of the different instruments and components

Regarding IPA, good progress was accomplished concerning the decentralised implementation of the assistance by the Croatian authorities.

Under Component I, this development was expressed by a reduction of the "rejection rate" – in the context of the EU Delegation's *ex ante* control on tendering and contracting files submitted by the Croatian authorities - in the second half of 2011 to below 5%. This positive trend needs to be sustained in 2012. However, while gradually expanding, absorption capacity remained a challenge for the Croatian authorities in order to catch up past delays (see Part II on financial data). The Commission continued to help the authorities to select mature project proposals for funding in order to ease future implementation.

In regard to Component II, for CBC programmes with other IPA countries, all grants from the first call for proposals were successfully contracted in the first quarter of 2011. The second calls for proposals for all programmes were launched in the second half of 2011. Regarding

programmes on the border with current Member States, Croatia continued to participate very actively in the bilateral actions with Hungary and Slovenia, as well as in the regional programmes IPA Adriatic, "Mediterranean" (MED) and "South-East Europe" (SEE). 60 projects were awarded more than EUR 14 million EU funding within the Hungary-Croatia IPA Cross-border Cooperation Programme. Under this last programme, the third Call for Proposals was launched on 22 November 2011.

In the framework of the Slovenia-Croatia cross-border programme, whose main purpose is to make the cross-border area between Croatia and Slovenia highly competitive and also to create sustainable living conditions and prosperity for its inhabitants by exploiting development opportunities arising out of joint cross-border actions, the third Call is expected to be launched in 2012. This is one of the best performing IPA cross-border programmes under shared management, which is also due to the commitment of Croatia to this programme.

As regards Component III, under the Environment Operational Programme all available funds were committed, and contracting was strong in 2011, reaching more than 50% of the available funds. Nevertheless, due to previously accumulated delays, at the end of 2011 EUR 5.2 million were withheld, expecting more improvement in the implementation of operations.

For the Transport Operational Programme, the complexity of the projects specifically in this sector caused important delays in the implementation of the programme, with a contracting rate being at 17%. Nevertheless, tendering accelerated during 2011 and much of the accumulated backlog was reduced. However, this could not prevent the automatic withhold of EUR 9.3 million at the end of 2011. Another similar situation can be found for the third Operational Programme, namely Regional Development, where delays in the design and tendering of projects led to a contracting rate of 30%.

Under Component V, Croatia received the conferral of management powers for the first two measures under IPA Rural Development only in November 2009 and for two additional measures in March 2010. Since then, Croatia continued the implementation of IPARD. Three additional calls for applications were launched in 2011 for the first two conferred measures, namely measure 101 *'Investments in agriculture holdings to restructure and to upgrade to EU standards'* and measure 103 *'Investments in the processing and marketing of agricultural and fishery products to restructure these activities and to upgrade them to EU standards'*.

So far, the implementing body – IPARD Agency has received 209 applications out of which 90 projects were contracted, with an IPA contribution of over EUR 19 million by the end of 2011. As regards the two measures conferred in March 2010, namely measure 301 *'Improvement and development of rural infrastructure'* and measure 302 *'Diversification and development of rural economic activities'* two calls were launched in 2011. As a result, 156 applications were received for both measures, however only 18 were contracted. This result was a consequence of an important rejection rate under the first call for measure 301 *'Rural*

infrastructure'. Difficulties encountered by beneficiaries – Croatian small municipalities, were related to implementation of public procurement rules. It must be however noted that the second call for the same measure was much more successful with 45 Memoranda of Understanding signed.

The measure 'Rural infrastructure' continued to play an important role in the IPA Component V programme, mainly due to its social impact on the population within the rural areas. Lessons learnt from the first call bore fruit under the second call: higher interest from municipalities as well as their better readiness as regards quality of applications. Based on submitted projects it could be analysed that Croatian rural small towns and villages want mainly to improve and invest in sewerage system, wastewater treatment or local roads.

While the contracting performance in Croatia improved in 2011, payment levels to final beneficiaries remained low. This is due to the fact completion of rural development project can be quite lengthy, and therefore only a small part of contracted projects could be paid in 2011. Pre-financing included, the Commission disbursed about EUR 26 million by the end of 2011.

Moreover during 2011, the Croatian authorities focused strongly also on the preparation of procedures for conferral of management powers for the two remaining programme measures. The national accreditation was granted for measure 501 "Technical Assistance" and the measure 202 "Preparation and implementation of local development strategies" was accredited at the beginning of 2012. It is hoped that the conferral of management for these measures should be obtained in mid-2012, followed by calls for applications.

Although Croatia made important progress in 2011 in the implementation of the IPA Rural Development Programme, the delays in implementation and more particularly in payments to final beneficiaries accumulated so far persisted in 2011. Due to this situation, according to the N+3 budgetary rule, a part of the funds allocated in 2008 had to be suspended at the end of the 2011, and more funds are at risk of suspension in 2012. Therefore, in the future all efforts shall be oriented towards further calls for applications together with shortening the period between these calls and completing the payments to beneficiaries.

Nevertheless, the Court of Auditors' Special Report on Croatia⁷, prepared during 2011, indicates that EU assistance has made an important contribution to building up Croatia's capacity for managing post-accession funding, including by "learning-by-doing".

3.3 Sector I: Justice and Home Affairs and Fundamental Rights

IPA 2007 Component I 'Strengthening Capacities of the Ministry of the Interior to Combat Narcotic Drugs Trafficking and Drug Abuse', EUR 2.2 million.

⁷ The report was published on 1 February 2012: <http://eca.europa.eu/portal/pls/portal/docs/1/11760728.PDF>

This project supported the strengthening of the ability of the Ministry of Interior in the fight against organised crime, especially in the field of combating drugs trafficking and drugs abuse. It contributed to enhancing the ability of criminal police officers, to strengthen the institutional capacities of the Forensic Science Centre "Ivan Vučetić" in the area of drugs analysis, and to establish a National Contact Point for the transmission of synthetic drugs samples and data exchange with other Forensic Science Centres. Some of the main achieved results were, for example, increased capacity for narcotic drugs analysis and profiling, development of a protocol for cooperation, communication and strengthening of the institutional control model for precursors, establishment of contact points in governmental institutions, and training of police officers on advances methods of investigations related to drug crimes.

IPA 2007 Component I 'Development of modern information system for strengthening Anti-Corruption Inter Agency cooperation', EUR 460 000.

This project supported Croatia in its efforts to implement the National Anti-Corruption Strategy (adopted in 2008). The success of the Strategy relies very much on the good cooperation among all stakeholders (Croatian Ministries, specific administrations, control bodies, other agencies, etc.). Therefore, the project focussed on the development of an IT tool (including Internet portal) to support the Ministry of Justice in coordinating the Croatian anti-corruption efforts of all stakeholders; improving its capacity in managing the flow of information from and towards other involved bodies, facilitating its monitoring and analytical tasks, and improving its communication towards the public. The project contributed to increase the public awareness on corruption. Its effects should allow a better prevention of corruption, allowing Croatia to become also more attractive to international business and foreign investments.

3.4 Sector II: Public Administration Reform

In 2011, the EU Delegation was consulted on 156 requests for TAIEX assistance. The majority of them were related to: Chapter 11 Agriculture and Rural Development (68 requests), Chapter 27 Environment (21 requests), Chapter 24 Freedom, Security and Justice (19 requests), Chapter 23 Judiciary and Fundamental Rights (15 requests), and Chapter 28 Health and Consumer Protection (10 requests). Interventions funded by TAIEX can be extremely well targeted to the needs of the institutions, and were financially not demanding, which justified the high number of requests by the Croatian institutions (on average one each working day).

In 2011, a total of 20 Twinning contracts were under implementation. The sectors targeted by Twinning and partner countries were as follows: under IPA 2007: customs (Spain), regulatory impact assessment (UK), competition and state aid (Italy with UK), anti-corruption (one with Germany and another one with France and Italy), personal data protection (Spain), combating drugs trafficking (Austria), paying agency for agricultural funds (Austria with

France and Slovakia), energy (Denmark with Latvia and Slovenia), chemical safety (Sweden with Italy), health and safety at work (Austria with Slovakia), plant protection products and pesticide residues (UK); under IPA 2008: judiciary reform (one with Germany and France and another one with the UK and Czech Republic), road safety (Germany with Poland), preparation for Cohesion Funds (one with Lithuania and Hungary and another one with Italy and Poland); under IPA 2009: fight against sexual exploitation and sexual abuse of children (UK), anti-discrimination (Austria), coordination of social security (Sweden).

17 Twinning light contracts were under implementation in 2011 in the fields of: under IPA 2007: protection of EU financial interests (Romania), public procurement (Greece), medicinal products and medical devices (Spain), environment (Austria), preparation for Structural Funds (Poland); under IPA 2008: fight against counterfeiting of banknotes and coins (Germany), fight against corruption in customs (Spain), fight against corruption in taxation (Austria), public procurement (Austria), judiciary (Germany), taxation (France), education (Finland), employment (Germany); under IPA 2009: postal services (Spain), environment (Spain), customs (Italy), judiciary (Lithuania). The total amount of Twinning and Twinning light contracts under implementation in 2011 was EUR 24.6 million. Several Member States applied to the various Twinning projects in Croatia, resulting in a wide spread of Member States selected by Croatian ministries to implement these contracts.

The SIGMA Programme, a joint initiative of the Organisation for Economic Co-operation and Development (OECD) and the European Union aims to strengthen public governance institutions in Croatia, in order to facilitate the accession process by assisting the reform of the public sector. During 2011 SIGMA support to Croatia covered in the area of judiciary and public administration reform, where SIGMA provided assistance to the authorities in finalising the relevant legal framework, as well as participating in round tables organised by NGOs on the following issues: prevention of conflict of interest, financing of political parties, local and regional self-government, etc. Furthermore, SIGMA provided. SIGMA also assisted the national authorities in the areas of public procurement and financial management (Anti-Fraud Strategy, Public Internal Financial Control and Financial Management and Control).

In 2011, Croatia participated in the following EU Programmes: 'Seventh Research Framework Programme'; 'Life-Long Learning Programme' (LLP); 'Youth in Action Programme'; 'Competitiveness and Innovation Framework Programme' (including 'Entrepreneurship and Innovation Programme', 'Information Communication Technologies Policy Support Programme' and 'Intelligent Energy Europe Programme'); 'Progress'; 'Culture'; 'Europe for Citizens'; 'Fiscalis 2013'; 'Customs 2013'; 'Interoperable Delivery of European eGovernment Services to public Administrations Business and Citizens' (IDABC); 'Civil Protection Financial Instrument'; 'MEDIA 2007'; 'Community action in the field of health'; 'Marco Polo II'; 'Civil Protection Mechanism'; and 'ISA Programme' (Interoperability Solutions for European Public Administrations).

In 2011, Memoranda of Understanding for the following two Programmes were also

concluded: 'Criminal Justice Programme' and 'Civil Justice Programme' (both memoranda were concluded on 15 December 2011).

IPA 2008 Component I 'Development of an effective system for fight against counterfeiting of banknotes and coins in Croatia', EUR 230 000.

The beneficiary of this project was the Croatian National Bank in co-operation with the Ministry of Interior's Police National Office for the Suppression of Corruption and Organised Crime. The project contributed to ensure the efficient functioning of the system for the fight against internationally organised crime in the area of counterfeiting of banknotes and coins in line with EU standards. The achieved results were further alignment of the legal framework and further enhancement of the implementing procedures. In addition, methodological tools were developed while the administrative capacity of the key stakeholders in the system was strengthened through training, workshops and study visits to Member States and the European Central Bank (ECB).

IPA 2007 Component I 'Equipment for anti-smuggling units', EUR 3.45 million.

This project supported the fight against national and international organised crime, thus enhancing safety and security of Croatian and future EU external borders, internal market and collection of national and EU revenue. It provided equipment to the mobile customs units of the customs administration, such as vans, personal vehicles, all-terrain vehicles, vehicles for transport of official dogs, mobile x-ray vehicle, patrol sea boats, patrol river boats, trace detectors, and contraband detectors.

IPA 2007 Component I 'Customs Laboratory Development', EUR 500 000.

This project contributed to maximise the collection of customs duties and taxes by establishing nature, tariff classification, origin and value of goods, and provided support for the prevention of illegal traffic of goods. It contributed to further develop the operational capacity of the Croatian Customs Laboratory, in compliance with EU requirements, resulting in an improved legal basis, management policies, analytical equipment, analytical methods, training programmes and working methods. In terms of results, a Quality Management System in Customs laboratories was introduced and Quality Handbook elaborated; laboratory methods were updated in compliance with EU best practice; written guidelines, regarding laboratory safety, security and hygiene procedures, correct sampling, labelling, packing and despatching of the samples, were developed and disseminated; training policies were delivered; and a plan for co-operation with EU customs laboratories and/or with other analytical institution inside and outside the country were developed.

IPA 2008 Component I 'Strengthening of the tax Administration in the fight against corruption', EUR 207 000.

This Twinning light contributed to improving the legal and institutional framework for

efficient and systematic combating of corruption, and the public awareness on the harmfulness of corruption, and to create conditions for preventing corruption in the Croatian Tax Administration. It therefore contributed to the protection of the interests of Croatian and EU citizens, taxpayers and businesses.

3.5 Sector III: Environment and climate change

In Croatia this sector is supported under the Environmental Operational Programme (EPOP) under Component III and it addresses priorities such as municipal solid waste (waste management and cultivation of non-compliant landfills), water and wastewater (treatment plants and networks).

IPA 2007 Component I 'Identification and Setting-up of the Marine Part of Natura 2000 Network in Croatia ', EUR 527 500.

This project contributed to the existing draft proposal of marine NATURA 2000 by identifying potential NATURA 2000 sites. This list of sites was prepared through consultation with relevant stakeholders and the scientific community, with the purpose to further develop the national biodiversity monitoring and reporting system through capacity building, according to the provisions of the Habitats Directive.

IPA 2007 Component I 'Energy Administrative Data Management', EUR 1 095 000.

This project focused on institutional capacity building by developing a methodology for energy administrative data management related to EU Regulations, supplying related hardware equipment to enable the stakeholders to report data, and developing new tailor-made software for web-based energy data collection and management. This project has facilitated the transfer of experiences on energy statistics and international reporting.

3.6 Sector IV: Transport

The "Transportation" Operational Programme under IPA Component III continued to provide support for developing transport infrastructure in the area of railways and inland waterways in Croatia. Besides a series of technical assistance and project pipeline development operations in the rail and inland waterways sectors, there was one investment project under implementation during 2011. This project aims the development of the signalling and telecommunications infrastructure at the Zagreb main railway station.

A new major project was approved by the Commission during 2011: Okučani to Novska Railway Rehabilitation and Upgrade. The total investment value is EUR 40 million, with IPA co-financing amounting to EUR 34 million.

ISPA 'Vinkovci to State Border Railways Rehabilitation', EUR 60.2 million, 48% of which

was co-financed by the EU.

This project contributed to the achievement of interoperability and safety requirements in line with EU *acquis* through civil works, electrification, signalling and telecommunication. It allowed the rehabilitation of 38 km of the double track railway line on the European Corridor X (Project of European Interest), Section Vinkovci to Tovarnik (interface with Serbian railway line at Šid).

PHARE 2006 'Supply and implementation of Vessel Traffic Monitoring and Information System (VTMIS)', EUR 5 million

This project delivered supply and support to the implementation of the Vessel Traffic Monitoring and Information System (VTMIS), particularly radar and surveillance and tracking systems, which will significantly contribute to the safety and pollution prevention in the area along the east Adriatic coast, particularly in respect of ships manoeuvring in congested areas, ports and adjacent waters as well as non-SOLAS (International Convention for the Safety of Life at Sea) ships and yachts. Through this project, the VTMIS equipment has been installed at the national VTMIS control centre in Rijeka, and regional control centres in Split and Dubrovnik, and also 10 radar stations have been installed along the Adriatic coast and islands.

3.7 Sector V: Private Sector Development

The IPA Component III also provided support to private sector development by providing investment in business-related infrastructure located in less developed regions, as well as the improvement of business climate, the technology transfer and services for start-ups and SMEs, and the first achievements already became visible on the ground.

Six infrastructure projects were renovated or newly built to support the tourism and business-related activities in lagging-behind regions. 10 newly-established Business Support Centres started delivering training and services to SMEs in the e-commerce and e-business activities sector. 21 business centres are being coached and trained to deliver high-level consultancy & training services to the SMEs throughout Croatia. A certification programme is being developed to attract investors at will assist investors in eight lagging-behind counties. New infrastructure and entrepreneurial training curricula are being developed in five universities and research centres in order to boost the technology transfer and commercialisation of public sector R&D.

IPA 2007 Component I 'Implementing Croatian Competition and State Aid Policies', EUR 1 million.

This project contributed to ensure a more solid enforcement record of competition and state aid rules in Croatia and to set up a regulatory environment which is genuinely competition-oriented. The project achieved the following results: the Croatian competition and state aid

legislation was further aligned with the relevant EU acquis; the Croatian Competition Agency (CCA) further strengthened its enforcement record and its ability to prosecute the most serious infringements of antitrust law; the CCA is ready to take up its responsibilities within the European Competition Network and has been granted observer status therein; a series of public events ensured the visibility of the CCA as a promoter of competition culture and established its advocacy role in competition-relevant regulatory impact assessment; a smoother interplay of competition enforcement and regulatory intervention has been achieved by providing training to Croatian sectorial regulators and strengthening their co-operation ties with the CCA; the CCA successfully continued to enforce state aid legislation in light of EU state aid policy, with a view to achieving less and better targeted aid.

3.8 Sector VI: Social development

IPA Component IV 2007-2011 'Regional Network of Local Learning Institutions', EUR 5 million.

This project contributed to the modernisation of adult education in Croatia. There were 56 adult education institutions which, as main grant beneficiaries and their partners, provided free training of adult learners for approximately 2,850 people. Technical assistance focused on support to adult education institutions. Reports on learning needs analysis were prepared for each of 21 counties (NUTS 3 level) in Croatia. They provided up-to-date information on the needs of employers and on the state of affairs at the local labour markets in terms of supply and demand. Those reports form a significant background document for future Calls for Proposals to be published by the national authorities in the field of adult education.

IPA Component IV 2007-2011: 'Establishing Support in Social Integration and Employment of Disadvantaged and Marginalized Groups', EUR 90 008.

This grant scheme, as part of the 'People with Disabilities and Support System Model for Improving their Labour Market Approach' project, targeted long-term unemployed people with disabilities, as well as social welfare beneficiaries. Activities supporting active participation on the labour market were delivered through career counselling, monitoring and occupational rehabilitation. Simultaneously, through motivational training and psychosocial aid, the project encouraged the strengthening of social integration, whereas experimental workshops and a round table encouraged partnership in the field of social integration and employment.

IPA Component IV 2007-2011 'Local Partnerships for Employment – Phase', EUR 91 677.

This grant scheme, as part of the 'Education and Networking – Opportunity for Employment' project, targeted unemployed and not adequately employed highly educated people from Osijek-Baranja County. They have been provided with knowledge, skills and practical experience in the field of entrepreneurial support and development and implementation of

EU-funded projects. A minimum of 30 persons attended education about business counselling, business plan development and development and implementation of EU projects. With the help of trainers from the Centre for Entrepreneurship Osijek and Regional Development Agency of Slavonia and Baranja, each project team worked on development of concrete project proposal for current call for proposals under EU funds. As a result, the participants gained specific knowledge and experience which will provide them better opportunity for adequate employment. The project had a positive impact on strengthening the capacities of local communities and organisations regarding the development and implementation of EU-funded projects.

3.9 Sector VII: Agriculture and rural development

IPA 2007 Component I 'Capacity Building of the Croatian Paying Agency' and 'Support to establishment of fully operational Paying Agency in line with EU standards', EUR 4.5 million.

In order for Croatia to use EU agricultural funds, a sophisticated administrative and control system meant to manage the EU-tax payers' money needed to be put in place. These two coordinated projects achieved this goal in cooperation with the Croatian Paying Agency. The first one, a Twinning project, involved 3 paying agencies from Austria, France and Slovakia and worked on the specifications of the system. The second one, a technical assistance project, was led by a consortium of Croatian, Czech and Slovene IT companies and developed the software modules needed to build the system. Training was provided to the staff of the Croatian paying-agency and an information campaign on the Common Agriculture Policy (CAP) was carried out throughout Croatia. Thanks to that support, Croatia tested the system under its national budget in 2011 and 2012 and could thus familiarise its farmers and its administration with EU requirements prior to accession.

IPA 2008 Component I 'Support to the Implementation of the Common Organization of the Agricultural Market', EUR 230 000.

The Common Agricultural Policy (CAP) includes support to agricultural markets grouped under the so-called Common Market Organisation. Croatia has to develop the various schemes foreseen by the EU legislation prior to its accession to the EU in order to be able to support its agricultural markets when required. This Twinning Light project supported Croatia to set up the systems needed to administer the following sectors: sugar, milk and milk products outside milk quota, beef and veal, fruit and vegetables, wine, as well as export refunds for processed agricultural products. Under the leadership of the French Market and Intervention Agency, a unique team of experts from four different Member States (France, Germany, Hungary and Poland) supported and trained the Croatian Paying Agency to successfully develop the required procedures for each of the targeted sectors.

3.10 Cross-border cooperation

In 2011 Croatia continued to participate in cross-border co-operation projects with its neighbours in the Western Balkan area (Bosnia and Herzegovina, Montenegro and Serbia), as well as with Member States (Hungary and Slovenia) and in wider regional cooperation projects covering the Mediterranean or Adriatic basins.

Cross-border cooperation projects remain an important aspect of IPA assistance in the Western Balkans by aiming to improve the quality of life in the cross border areas through joint projects in the areas of environment, tourism and cultural space, and private sector development. Furthermore, these efforts are an important contribution to achieving reconciliation following the 1990s conflicts.

IPA Component II, Cross-border programme between Croatia and Bosnia and Herzegovina 'VIOR - Vinkovci and Orašje Heritage Tourism Project', EUR 62 355.

This project contributed to enhance tourism products – notably heritage tourism – to increase the sector's GDP contribution and create income in the Vinkovci and Orašje regions. It developed joint CBC heritage tourism products and joint tourist itineraries (packages), built capacities in the fields of heritage tourism organization, hosting and preservation of heritage resources through education, training and know-how transfer, and promoted heritage sites and awareness on heritage site protection with use of today's communication tools. The beneficiaries of this grant were the City of Vinkovci in Croatia and the Municipality of Orašje in Bosnia and Herzegovina, in partnership with the Tourist Board of City of Vinkovci and the Tourist Community of Posavina Canton.

IPA Component II, Cross-Border Programme between Croatia and Montenegro, 'Traditional olive industry like a part of cross-border tourism offer', EUR 147 720.

This project contributed to the development of socio-economic conditions through diversification of the tourism offer in the cross-border region. It improved the quality of tourist destination by creating cross-border olive tourism offer based on authentic olive oil production, tradition and culture. On the Croatian side, the beneficiaries of this grant were the Croatian Centre for Agriculture, Food and Rural Affairs and SNV- Netherlands Development Organisation, in partnership with Dubrovnik Neretva County's association of olive oil producers and Dubrovnik Neretva County's Regional Development Agency. The Montenegrin partners were the Municipality of Bar, the Association of olive producers Bar and the Association of olive producers, Boka.

IPA Component II, Cross-Border Programme between Croatia and Serbia, 'Toward Recycling Societies in Osijek – Baranja County and North Bačka District', EUR 151 696.

This project contributed to protecting the cross - border environment (air, groundwater and nature areas) of Eastern Croatia and North-Western Serbia. It improved the waste

management system in Osijek-Baranja County and North Bačka District through mutual cooperation and exchange of experiences. The beneficiaries of this grant were Green Action - Friends of the Earth Croatia in Croatia, and Centre for Ecology and Sustainable Development (CEKOR) in Serbia, in partnership with the Croatian Zeleni Osijek - Ecological Association Green Osijek.

4. IMPLEMENTATION AND MONITORING MODALITIES AND STRUCTURES

One of the main objectives of the IPA instrument is that, in addition to supporting the efforts of the country in the negotiation process, it also helps to prepare the country for managing the structural and cohesion and rural development funds which become available after accession. In order to achieve this, the full potential of IPA is reached when the beneficiary country becomes fully responsible for managing the assistance it receives from the EU.

Following the Commission decisions to confer the management of the IPA funds to the Croatian national authorities in 2008 and 2009, Croatia continued to implement IPA programmes in 2011 on a decentralised basis, with *ex ante* controls by the European Union Delegation in Zagreb.

Furthermore, Croatia moved closer in 2011 to the ultimate objective of the conferral of management process, the decentralised implementation without *ex ante* controls by the Commission for IPA Components I to IV. Component V has operated directly without *ex ante* controls since the conferral of management decision in 2009.

Under Component I, Croatia established in December 2009 a roadmap with indicative benchmarks and time limits to achieve decentralisation without *ex ante* controls. In 2011, the Commission continued to monitor its implementation through the regular reports submitted by the Croatian authorities. The main indicators are the quality of procurement – expressed in the "rejection rate" of tendering and contracting files submitted by the authorities to the EU Delegation in the context of its *ex ante* control -, and the pace of implementation. The first indicator improved significantly in the course of 2011, especially in the second semester. The absorption capacity, however, remains a challenge for the Croatian authorities, as they need to catch up with past delays. Nevertheless, capacity under this component is gradually increasing. The overall positive trend therefore needs to be sustained in 2012.

Under Component II, the Commission's assessment on whether conditions for waiving *ex ante* controls are met, will focus on the functioning of the system (given the low number of transactions under this component and the involvement of a partner country). In 2011, the Commission conducted a follow-up audit on the conferral of management powers for IPA Component II. The Croatian authorities have started to address the relevant findings.

In 2011 the Commission, under the initiative of the national authorities, carried out twelve meetings of the sectorial monitoring sub-committees (two times six sectorial meetings, in

April and October) and two TAIB Sectorial Monitoring Committees, in June and December.

Whereas the sectorial monitoring sub-committees reviewed the progress of each individual project, the interest of the sectorial monitoring committees was to explore the ways to accelerate the implementation of projects and review the progress in the implementation of the roadmap for the waiver of *ex ante* controls.

In parallel, the on-the spot visits to the projects being implemented have continued, and some of them have been carried out jointly with the implementing bodies. The EU Delegation thus had the opportunity to give recommendations which do not deal only with project implementation, but with improving the monitoring process carried out by the national institutions.

PART II - FINANCIAL DATA

On implementation of assistance at 31 December 2011

IPA Croatia

Croatia	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	82,704,005	82,584,944	99.86%	73,242,931	88.56%
IPA 2008	183,318,922	182,899,550	99.77%	114,461,570	62.44%
IPA 2009	103,600,000	64,472,406	62.23%	36,213,965	34.96%
IPA 2010	72,100,000	39,551,787	54.86%	15,620,838	21.67%
IPA 2011	68,900,000	4,200,000	6.10%	3,990,000	5.79%
Total	510,622,927	373,708,687	73.19%	243,529,303	47.69%

IPA – Component I National Programme Croatia

Croatia	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	42,302,572	40,775,209	96.39%	33,309,085	78.74%
IPA 2008	41,374,000	34,257,159	82.80%	18,999,249	45.92%
IPA 2009	44,601,430	15,015,505	33.67%	8,945,672	20.06%
IPA 2010	38,623,458	10,576,022	27.38%	9,932,625	25.72%
IPA 2011	39,159,128	0	0.00%	0	0.00%
Total	206,060,588	100,623,895	48.83%	71,186,631	34.55%

IPA – Component II (CBC) Programme Croatia

Croatia	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	2,653,020	1,536,854	57.93%	628,439	23.69%

IPA 2008	2,706,080	2,410,832	89.09%	1,176,506	43.48%
IPA 2009	2,760,202	472,357	17.11%	282,033	10.22%
IPA 2010	2,200,000	0	0.00%	0	0.00%
IPA 2011	2,200,000	0	0.00%	0	0.00%
Total	12,519,302	4,420,043	35.31%	2,086,977	16.67%

TURKEY

1. SUMMARY

In 2011, positive developments in the management of the financial assistance were observed in **Turkey**. The country is continuously improving the capacities of key institutions in charge of programming, implementation and monitoring of EU funds. The implementation of IPA projects, under all IPA components, is now well underway and is starting to show a substantial impact as all necessary operating structures for the management of IPA funds are about to be granted conferral of management powers.

Important reforms have improved the programming of funds, with the new MIPD 2011-2013 adopted in June 2011 following the sector approach logic. The first steps towards a more strategic, focused and inclusive approach to programming has been taken while programming 2011 funds for Transition Assistance and Institution Building (Component I) focused on a limited number of sectors identified in the MIPD, with larger projects on the priorities of the accession process as well as aligned with sector priorities, for a total value of EU contribution of EUR 229.968 million. Following the elections in June 2011, particular emphasis has been given to the justice, home affairs and fundamental rights sector priorities aiming to implement the necessary reforms to build an independent and efficient judiciary, law enforcement services as well as developing civil society dialogue.

Efforts were also made to improve the monitoring of funds by reforming the monitoring system, setting out the roles and responsibilities of each institution and the various tools available for this purpose as well as strengthening the capacities of Turkish authorities.

2. STRATEGIC PLANNING AND PROGRAMMING

2.1 Multi-annual Indicative Planning Document

The new Multi-Annual Indicative Planning Document for Turkey covering the years 2011-2013 was adopted on 28 June 2011. The MIPD identifies priorities based on the needs documented in the Accession Partnership of the country as well as the latest progress report and the Turkish authorities' own strategies. It takes into account the lessons learned outlined in the Commission's own assessment of past performance and on recent audits and evaluations.

The MIPD 2011-2013 puts the stress on a more sector based approach together more ownership towards setting priorities for assistance as it was drafted based on the priorities established by Turkish authorities. In order to support a more effective delivery of IPA and to

move towards a more sector based approach with more focus and impact, the following strategic objectives for the new MIPD have been chosen.

In line with the MIPD sectors and identified priorities the 2011 IPA funds have been programmed mainly supporting projects in sectors justice, home affairs and fundamental rights, private sector development, energy, social development and agriculture and rural development, environment as well as horizontal support activities.

The selection of a limited number of sectors in the MIPD allows for a targeted approach towards EU assistance that aims to deliver the expected results and meet the envisaged objectives in a sustainable manner. The sectors and priorities chosen have potential to support the catalytic effect and additional EU support. Where linkages between sectors exist, these are closely explored in order to ensure that assistance provided is mutually reinforcing. This is the case, especially where strong ownership and political commitments are present. EU assistance provides added value and often initiates important reform processes that will continue in a sustainable manner beyond the duration of the EU programmes.

Table 1: MIFF⁸ allocations per component, in EUR million

Component	2011	2012	2013	2011-2013
I – Transition Assistance and Institution Building	231.26	227.49	246.20	704.95
II – Cross-border cooperation	5.13	2.17	2.21	9.51
III – Regional Development	293.40	356.83	378.00	1028.23
IV – Human Resources Development	77.60	83.93	96.00	257.53
V – Rural Development	172.50	189.78	213.00	575.28
TOTAL	779.90	860.22	935.50	2575.62

2.2 Programming

2.2.1 Component I

In order not to delay the implementation of mature projects, it was decided to split the national programme for 2011 into two parts. The IPA 2011 component I programme part 1 (adopted on 25 July 2011) includes 9 projects, which have been selected among the priorities

⁸Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2011-2013', new MIFF (12.10.2011 COM(2011) 641 final)

identified in the 2011-2013 MIPD after analysis of the Turkish authorities and in consultation with the Commission under sector 1 – justice, home affairs and fundamental rights, 2 – *acquis* harmonisation in areas of transport and 3 – social development. Projects under above mentioned sectors were selected as they were mature for implementation and are of high priority for Turkey. Additional sectors of the MIPD are supported under the IPA 2011 part 2 programmes which have been adopted by the Commission on 25 July 2011. These are based on the second part of the priorities of the MIPD, national programme for 2011 and support 16 projects in the sectors justice, home Affairs and fundamental rights, private sector development, energy, social development and agriculture and rural development as well as horizontal support activities. In addition, in the sector environment and climate change, a sector measure has been included in the programme which could be considered as a first step towards sector approach.

While programming 2011 IPA funds efforts were made to better focus projects on the political priorities of the accession process as well as on aligning them with sector priorities. The largest part of the budget has been programmed to support projects in the justice, home affairs and fundamental rights sector, aiming to strengthen effective law enforcement, successful fight against crime and corruption and improved integrated border management and prevention of illegal migration. For example the project "*Protecting victims of human trafficking*" (EUR 1.7 million) aims to contribute to the effective implementation of the national strategy and policy on organized crime including trafficking of persons. A number of the projects included into 2011 programme are follow-up actions to previous projects, which allow achieving the full impact in the concerned area over a multi-annual basis, where an approach in stages was required due to the complexity of reforms.

Besides further projects in other priority sectors, the National Programme part 2 also introduces the "Enhanced Support Activities to Strengthen the European Integration Process" (ESEI) a flexible facility to address gaps of a limited scope, identified in the implementation of the *acquis*. Twinning and Technical Assistance projects are financed and mobilised in a rapid manner without having to undergo the full programming cycle. The facility is managed by the Turkish Ministry for EU Affairs (MEUA).

All of the programme's projects have been designed to achieve concrete results and we expect them to make a significant impact in bringing forward the reform efforts of Turkey in the concerned areas.

There was continuous information exchange between the EU Delegation in Ankara and donor organizations working in Turkey with a view to avoid duplication of financial assistance and support complementary actions where appropriate. During 2011 the Commission and the EU Delegation in Ankara conducted several coordination meetings on the coordination of financial cooperation in Turkey also following evaluation report on Mapping of European Commission, IFI & Donor Activity in Turkey financed by the EU Funds. Following the recommendations provided in the report it has been proposed to Turkey to take a stronger lead in donor coordination through Ministry of EU Affairs (for accession related donor

coordination) and the Treasury/Ministry of Development (for investment related donor activity).

In terms of programming, progress could be noted by the Commission as regard further cooperation with IFIs, in particular the cooperation with the World Bank. Under 2012 IPA Component I programme Energy project is being developed together with the World Bank, which will be implemented under joint management mode.

The Commission and the World Bank will further coordinate their future strategies and their implementation in order to explore further areas where synergy and value added can be found through a joint approach.

Table 2: Indicative financial allocations for the year under the National Programme, per priority axis and per project, in EUR million

Priority Sector	Projects	Budget
Sector: Justice, Home Affairs and Fundamental Rights		101.36
2011 NP part 1	TR2011/0324.01 Trafficking	1.71
2011 NP part 1	TR2011/0324.02 Civilian Oversight	3.80
2011 NP part 1	TR2011/0136.03 IDPs in Van	3.42
2011 NP part 1	TR2011/0136.04 Local planning	1.80
2011 NP part 1	TR2011/0136.05 Cultural heritage	2.70
2011 NP part 1	TR2011/0136.06 Students EU	3.21
2011 NP part 1	TR2011/0135.07 CS Development	6.62
2011 NP part 2	TR2011/0124.10 Demining	39.45
2011 NP part 2	TR2011/0124.11 Witness Protection II	1.50
2011 NP part 2	TR2011/0124.12 Forensic Capacity	8.00
2011 NP part 2	TR2011/0123.13 Data protection	2.00
2011 NP part 2	TR2011/0123.14 Ombudsman	2.00
2011 NP part 2	TR2011/0135.15 CS Dialogue IV	10.60
2011 NP part 2	TR2011/0135.16 Trade unions dialogue	1.60

2011 NP part 2	TR2011/0136.17 Jean Monnet	14.75
Transport		1.84
2011 NP part 1	Maritime Strategy	1.84
Social Development		63.07
2011 NP part 1	Union programmes	56.27
2011 NP part 2	TR2011/0319.22 ÇASGEM	2.25
2011 NP part 2	TR2011/0336.23 Sports inclusion	1.80
2011 NP part 2	TR2011/0328.24 Cancer	2.75
Environment and Climate Change		25.18
2011 NP part 2	Environment and climate measure	25.18
Private Sector Development		15.35
2011 NP part 2	TR2011/0318.18 Statistics	5.35
2011 NP part 2	TR2011/0465.19 TK participation 7 FwP	10.00
Energy		3.00
2011 NP part 2	TR2011/0315.20 Energy efficiency	3.00
Agriculture and rural development		1.35
2011 NP part 2	Training for MARA	1.35
Support and other activities		17.00
2011 NP part 2	ESEI envelope	17.00
TOTAL		229.95*

* The figure only concern National Programme 2011 and not include the amount allocated to the CSF

2.2.2 Component II

On 17 July 2011 the Commission adopted an annual programme on financing the participation of Turkey in the ENPI Black Sea Basin programme⁹, worth EUR 3 million. To streamline implementation, for the last three years (2011–2013) of the programme, it has been decided to front load the remaining IPA contribution within a single financing decision of EUR 3 million to be adopted in 2011. The multi-annual Black Sea basin programme (2007-2013) aims at supporting stronger and sustainable economic and social development of the regions of the Black Sea basin and enhanced mutual understanding through cross-border partnerships.

2.2.3 Components III-V

Component III and Component IV programmes were adopted in 2007 and 2008 covering the 7 year programming period.

As concern revision of Environment, Regional Competitiveness and Transport operational programmes (OPs) under IPA component III, in 2011 preparations were done regarding the distribution of the total allocation and the project pipeline. In the transport and the environment sector, the pipeline is continuous while in the regional competitiveness sector new operations needed to be identified in 2011. In 2011 there was an increased interest from the Turkish civil society, municipalities and regions regarding projects to be founded under the regional competitiveness programme. The short listing of these projects was finalised by the end of 2011.

In regard to the revision of Human Resources Development (HRD) OP under IPA component IV, which was revised in 2010, the related Financing Agreement was concluded by the Commission and by the Turkish authorities in December 2011. Furthermore and in line with the recommendations of the Commission to improve the involvement of NGOs and other stakeholders in the design of the operations, the Operating Structure (OS) started to organise consultation meetings for the new operations under preparation. The OS has started the revision of HRD OP for years 2012-2013 by organizing workshops involving active participation of relevant stakeholders together with the EU Delegation.

The latter has also intensified its dialogue with the World Bank in the context of IPA Component IV. The World Bank is involved in the management meetings of an operation to improve the quality of the public employment services for the purposes of strengthening policy dialogue and avoiding duplications between the operations of the EU and the Bank. Talks have also been initiated for possible cooperation under the same component of IPA for concrete operations. However this is still subject to agreement of the hierarchy as well as to the possible implementation modalities under IPA Component IV.

⁹C(2010)7470

As regards IPA Component V, the third modification of the IPA rural development programme (IPARD) was adopted by the Commission on 22 June 2011 following technical work recommendations started in 2010. The programme amendments mainly concerned the fine-tuning of the definition of eligibility conditions, beneficiaries, the requirements for the implementation of EU standards as well as the geographic scope.

3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2011

3.1 - Success stories

IPA Component I, 2008 project "Promoting Gender Equality in Working Life", EUR 950 000

The Twinning project helped to the Turkish authorities transpose the equal opportunities *acquis* and has delivered positive results. The Turkish, German and Austrian experts have jointly scrutinised the labour and social security legislation to identify the gaps vis-à-vis the *acquis*, as well as from a gender mainstreaming perspective. As a first step, gender elements have been merged into the draft trade union legislation. The work of the project is critical for when negotiations on Chapter 19 begin. Furthermore the project initiated a gender equality award for the Turkish companies, which will be sustained by the Turkish authorities annually. This should intensify the debate on harmonisation of work and private life in the private sector. Overall the project had more favourable impact on men and women in Turkey in the medium term. It has also helped trigger further debate in the public administration concerning a fundamental EU principle.

IPA Component I 2007 project "Modernisation of the Turkish Customs

Administration - IV", EUR 3.145 million

The Project financed under IPA 2007 programme was implemented in 2011. The customs laboratory project aimed to modernize the Turkish Customs Administration for strengthening its position to fulfil the tasks and obligations of EU Member States by establishing effective classification systems for goods in order to improve trade facilitation in Turkey and enhance the capacity of Turkey to better compete on the international market. Under Twinning Light component, Turkish and Italian customs laboratory experts studied the management policies and working methods in consideration with the EU best practices and trainings were delivered on certain analyses and accreditation. The customs administration took on board the Italian experts' recommendations on the organisation and established a central customs laboratory department to coordinate the activities of regional customs laboratories. Modern laboratory equipment, specific to the needs of customs, was supplied and placed in use. This project has made a very tangible and visible impact to start up the ISO 17025 accreditation process of Turkish customs laboratories.

IPA Component I 2008 project “Strengthening the Court Management System”
EUR 5.5 million

The latter is a follow-up of a project implemented from 2007 till 2009 which assisted Turkey in re-designing the court management system and in implementing the new system in five pilot court houses: new positions of court managers and judicial assistants to free the judges and prosecutors from the administrative tasks; guidance and information desks set-up; brochures and guidebooks for the public; media spokespersons trained; restricted access to certain areas in the pilot court houses. The success of this project led to full ownership of the second IPA 2008 project which started in September 2011. Not only high level support from the Ministry bureaucracy, (e.g. up to the unusual Undersecretary level participating to steering committee) but also from the High Council of Judges and Prosecutors and majority of the Bar Associations has been established during the implementation. Other court houses which were not selected as “pilots” are volunteering to take part in this project.

IPA Component I 2007 project "Training of Military Judges and Prosecutors"

EUR 2 million

The project aims to train all military judges and prosecutors (appr.350) on the European Convention on Human Rights and the case law of the European Court of Human Rights (ECtHR). The project, whose beneficiary is the Ministry of National Defence, is being implemented with the Council of Europe. Implementation started in November 2010 and gained momentum in 2011-12. The project will come to an end by October 2012. As a result of the training component a pool of 52 national trainers has been established. The translation of 20 ECtHR judgements was completed and they were put on the intranet web-site of the Ministry. The analysis of military justice systems in other European countries and Turkey in light of the case law of the ECtHR was launched and two reports have been drafted as a result of the work conducted by the second working group. The findings and recommendation of the working group will be disseminated at the final international conference. It is hoped that the increased institutional capacity will ultimately lead to a decrease in the number of cases against Turkey on the decisions given by the military judiciary.

IPA Component I "Post-earthquake Support to the Province of Van" EUR 4 million

Following October 2011 earthquake in the Van Province (Erciş) around 40,000 people were homeless due to the considerable number of collapsed or damaged buildings. A direct grant of EUR 4 million was signed with Turkish Red Crescent to provide temporary housing to the earthquake victims in the province of Van. The installation and furnishing of 950 housing units was completed in January 2012, accommodating 6,000 people rendered homeless after the earthquake.

Under IPA Component III and IV:

A high number of relevant projects have been approved in 2011. Even if their implementation did not begin in 2011, their approval can be considered as a success as a good project pipeline is an important premise for a full absorption of funds and a positive step to reach the purpose to prepare Turkey for the management of the Structural Funds.

An important achievement under the environment operational programme (IPA component III) is an impressive IPA Major Project pipeline put in place by the operational structure (Ministry of Environment and Forestry). During the second half of 2011, the Commission adopted 10 major projects and respective Bilateral Project Agreements were signed. In total, these signatures led to 12 major projects approved under this programme and ensured that the programme during 2011 was able to request payments exceeding EUR 28.7 million. In parallel, work continued on the preparation of new IPA projects to further strengthen the pipeline.

In 2011, the transport sector mirrored considerable success as two major railway projects were contracted successfully and their implementation has started as well. These two railway projects are key investments under the Transport Operational Programme (TROP), which identifies joint policy priorities in the transport sector in the context of EU accession. The overall objective of the programme is to re-establish a reasonable balance between road and rail transport in Turkey. In this respect, rail lines and rail connections to maritime infrastructure have been given priority over other investments. Under TROP, the EU is providing a EUR 600 million grant for Turkey to support the modernisation of railway infrastructure and ports.

The first major project that EU is financing is the last leg of the high speed railway between Ankara and Istanbul by providing a EUR 136 million grant complementing the EUR 1.45 billion loan by the European Investment Bank. This flagship project will lead to significant time gains for travellers. It will also support economic development, improve quality of life and generate major environmental benefits. With the completion of the route, travel time between Ankara and Istanbul will be reduced to only three hours. The project is expected to generate more than EUR 3 billion of economic benefits for the Turkish economy. It will also greatly benefit the Turkish environment by encouraging car and airplane travellers to use trains, thus reducing greenhouse gas emissions and increasing environmental protection.

The second major project is the modernization of the Ankara-Karabük-Zonguldak Railway Line with the largest contract ever funded in Turkey (EUR 188 million). This is the first major improvement of this north-south freight line since it was constructed in the early times of the Turkish Republic to serve the steel mills around Western Black Sea Coast. The EU provides a total amount of EUR 330 million for the project, including a loan by the European Investment Bank (EIB). The Irmak-Karabük-Zonguldak line in its history has played an important role in the development of the region by providing effective means of transportation to the steel industry. Modernization of the line will thus increase competitiveness of the local economy and quality of life in the region.

Lastly in 2011, Filyos Port major project, which is a new planned port the end point of Irmak-Karabük – Zonguldak rail line, has been submitted for IPA financing in March 2011 and its appraisal was finalised in July 2011.

Under the Environment Operational Programme (EOP) of component III, implementation of the major project “Urdu Wastewater Treatment Plant” had started in the last quarter of 2011 with the signature of one service and one works contract. Total cost of the project is EUR 25 634 950 with a maximum EU contribution of EUR 19 226 213. The overall aim of the project is to achieve a high level of environmental protection and compliance with EU Directives relevant to the wastewater sector. More specifically, this project is to protect the Black Sea from the negative effects of the raw wastewater discharge by establishing a sound wastewater management system to the Municipality of Urdu in accordance with EU and Turkish Legislation. Moreover, the treatment will enable the improvement in the quality of coastal waters in Urdu, such that the coastal sites will be suitable for bathing. The project targets to develop activities in the tourism and fishery sectors and reducing negative health effects (water borne diseases) imposed by the present situation. The project will also cover leak detection surveys and rehabilitation of sewer and water networks. In this context, the realization of the Urdu Wastewater Treatment Plant Project will be a major contribution to the improvement of the infrastructure for the protection of the environment, since it will improve the wastewater services and enhance the ecological status of the Black Sea which is at increasing risk of eutrophication and has been considered as a sensitive area with specific attention given to the reductions of nitrogen and phosphorous loads.

A couple of examples of selected projects under the IPA component IV call for proposals in the vocational education and training (VET) field that were implemented in 2011:

Promoting Women's Employment Operation (completed in 2011, approximately EUR 24 million):

A grant scheme supported under the operation with a total value of about EUR 24 million has improved women’s employability, supported women’s entrepreneurship and helped diminish cultural and other obstacles that hinder women’s participation in the labour market through 131 projects implemented in the less developed regions of Turkey by NGOs, education institutions, professional organisations, social partners and local authorities. A variety of actions including the fisheries sector, care services, tourism, food processing, entrepreneurship, information technologies, viticulture, and mosaics design have been supported throughout the implementation. The projects have not only increased the employment prospects of women, but also led to social empowerment and increased the awareness of the target group about the public employment services. About 9 900 women have benefited from projects, completed in November 2011. The eventual job placement rate in the formal sector is around 20%, and is expected to increase.

Promoting Lifelong Learning Operation (grant component completed in 2011, service component still on-going, approx. EUR 13 million):

The objective of this operation was to promote the development and implementation of coherent and comprehensive strategies for lifelong learning. In this context, the operation with a total value of approx. EUR 13 million has financed institutional capacity building activities as well as training activities in different formal and non-formal institutions on basic skills and further development of skills provided by different actors. In addition, the operation supported the National Qualification System and VOC-test Centres. The beneficiaries of this operation include teachers, students in VET (Vocational Education and Training) institutions, illiterate, low skilled and unemployed adults particularly women as well as formal and non-formal education providers. For instance, around 2,800 people have received a certificate after having followed basic skills courses. About 350 teachers have benefited from technical trainings in different sectors. 23 occupational standards were developed by VOC-Test Centres and endorsed by the Vocational Qualifications Authority.

Increasing Enrolment Rates Especially for Girls Operation (started May 2011 and will end May 2013 - with a total value approximately EUR 4 million).

The overall objective of the operation is enhancing investment in human capital by increasing the quality of education, improving the linkage between education and the labour market, and raising enrolment rates at all levels of education, especially for girls. Under the operation, national awareness campaigns were initiated through the three-spot films produced featuring the president, the prime minister and the minister of education. The films are currently being broadcasted in two campaigns –the first more than 4000 times on TV within a single month with an overall target of 19 million viewers. Through social networks an increasing number of young people are following and commenting this campaign (Twitter and Facebook, target 2 million people). Approximately 200 trainers have been trained in counselling and psychological guidance of students targeting the students at risk of dropping out. Teacher training in counselling is on-going (the target is 1,500 teachers trained). Assessments, studies and field research plans are finalised and field research is still on-going. Internal IT/web-based monitoring system is developed for the project and optional for wider use by the Ministry of National Education. Research-based action plans for further work on increasing enrolment and decreasing drop-out are being developed. They will be implemented and monitored in the 16 pilot provinces during 2012.

3.2 Overview of the implementation status of the different instruments and components

3.2.1 Component I

EU assistance implementation under IPA component I has advanced substantially compared to the last year and Turkey is positively making up for the back-log created in the initial years of IPA. The financial performance has been positive overall in 2011 thanks to a substantial effort and the good cooperation among different institution at the end of the year that resulted in contracting almost 90% of the NP 2007 part 1.

Due to the reallocations of funds under the 2008 programme and extension of the final contracting deadline the high risk of loss of funds was avoided in 2011. Nonetheless despite good contracting rates of 2007 and 2008 funds the contracting less than 2009 and 2010 programmes was facing huge delays. The lengthy preparation of the tender files and then of the evaluation process, explains the long time required to get to the contract signature.

Payments however still remain low due to the fact that they are lagging behind contracting and that final payments are only made on average several months after contracts are fully implemented.

3.2.2 Component III

The implementation of the operational programmes (OPs) under component III could start only following the conferral of management powers and signature of the Financing Agreements (autumn 2009). The Ministry of Environment and Urbanisation, responsible for the environment OP, and the Ministry of Science, Industry and Technology, in charge of the regional competitiveness OP, obtained their accreditation in 2011. This process was still on-going last year for the Ministry of Transport, responsible for the transport OP. Nonetheless there has been substantial progress in implementation of transport sector projects. A total of 9 contracts have been signed with a total value of EUR 390 million. A total of 4 new projects were programmes in civil aviation, maritime and land transport fields. Absorption rate is high and the outlook for 2012 is even better. The only possible risk area is the programming where efforts need to be renewed in establishing a project pipeline. EU contribution to the twelve projects approved in 2011 is EUR 84 million. In total, ten tenders were launched; 6 contracts were signed (EU contribution is EUR 22 million), hence increasing the contracting rate to 17.25 %.

Progress in programming exercise, which remained to date at 65%, did not reach to the expected level in 2011 since the staff of the Ministry of Science, Industry and Technology concentrated more on the accreditation process of their finance and contracts department. It should be noted that if the whole programming exercise cannot be completed by mid-2012, there is a risk of de-commitments starting in 2012.

The EU Delegation provided regular on-the job training / support to the staff of the Ministry in order to accelerate the programming exercise and to ensure a smooth transition period for taking over the procurement responsibilities from the CFCU.

Under the environment OP, Turkey submitted 1 new major project (MP) applications and 10 revised MP applications in 2011. The Commission approved 10 MP through a formal decision. This OP has a long list of project applications awaiting approval amounting to more than EUR 600 million while the available funds for 2007-2011 are only EUR 393 million. As regards the transport OP one major project was submitted and one MP was approved in 2011. For the regional competitiveness OP, one MP was re-appraised by the Commission, however

due to the low quality of the supporting documents it was sent back again for further clarification and revision.

3.2.3 Component IV

Progress is on-going concerning the Human Resources Development Operational Programme - IPA Component IV. A total of 16 contracts, 5 service and 11 supply contracts were signed in 2011 with a total budget of EUR 17.8 million. The total contracted amount since the beginning of the programme reached EUR 111 million (IPA share: EUR 94.3 million). This represents 60% contracting rate for the IPA funds allocated to the first period of the HRD OP covering 2007-2009 (EUR 158.7 million). The disbursement rate has shown a significant increase and reached 35%. In 2011 more than 400 grant projects finished implementation under the operations concerning the promotion of women's employment, youth employment, registered employment and increasing enrolment rates especially for girls. New operations were identified by the Ministry of Labour and Social Security for improving the quality of VET and increasing the adaptability of employers and employees in the tourism sector.

3.2.4 Component V

Major progress was achieved for IPA Component V, when the implementation of Component V started in the second half 2011 following a conferral of management for implementation granted by the Commission on 29 August 2011. A first set of three calls for proposals was organised in 2011 for which some 250 applications were received. Before the end of the year, the first four contracts were signed with beneficiaries under the first call and the assessment and contracting of projects from the second and third call will continue in 2012. Complicated application procedures, a lack of guidance for potential beneficiaries and overlap with national rural development measures are considered as major obstacles to implementation. The Turkish authorities have been requested to set up an Action Plan to address these issues. Under the on-going Twinning Light project "Capacity Building for Extension/Advisory Services for IPARD" (SEI 2008, EUR 250 000) training is being provided to 400 advisors, helping to improve the availability of guidance. Measures are also underway for the implementation of the second phase of the Programme, including a further 22 provincial offices and three additional measures (agro-environment, LEADER and technical assistance).

3.3 Sector I: Public Administration Reform

In the MIPD 2011-2013, Public Administration Reform (PAR) is addressed under the sector of "Justice, Home Affairs and Fundamental Rights" where one of the sector objectives is *"Effective implementation of the legislation regarding the reform and restructuring of the central public administration and transferring authority to the local and provincial administrations; reduced bureaucracy, strengthened policy making systems and sustainable*

development of a professional, accountable, transparent and merit-based civil service; parliamentary and civilian oversight mechanism over security sector secured; oversight, control and participatory mechanisms supported including strengthened external and internal audit functions and establishing an independent data protection system".

Within this framework, the project "Further Support to the Local Administration Reform in Turkey (IPA 2007- EUR 4 million)" which was managed by the UNDP (as a direct grant recipient), the Ministry of Interior and the Turkish Union of Municipalities (co-beneficiaries) was successfully completed in December 2011. The project aimed to develop and strengthen the administrative capacity and co-operation of Turkish Ministry of Interior (particularly the General Directorate for Local Authorities, Governorships and District Governorships), Unions of Local Authorities and local authorities themselves in the task of ensuring the effective implementation of new policy and legislation on local administration.

Project "Decision making and Performance Management in Public finance" (IPA 2008 – EUR 2.176 million) is on-going with the aim of strengthening financial decision making, strategic planning and performance management capacity of strategy development units in the Ministry of Finance, Prime Ministry, Undersecretaries of the State Planning Organization, and Undersecretaries of Treasury. Through the Twinning contract with Finnish experts, the aim was to provide training and preparation of a draft legislation harmonised with EU best practices.

Project "Improving Data Quality in Public Accounts" (IPA 2008 - EUR 1.721 million) is on-going with the aim of developing and piloting a public accounting system and to improve the quality of government financial statistics by means of different training and best practice exchange activities.

In 2011, SIGMA carried out regular annual assessment missions. The Regional Conference on Public Procurement was organised in Turkey in March 2011. The SIGMA-instrument also delivered a number of public procurement-specific seminars to the Turkish officials, particularly a key seminar organised on external and internal audit in October 2011.

Twinning:

In Turkey, one of the main challenges is the need to strengthen their administrative and judicial capacity to implement and enforce the *acquis*. Under IPA, the Commission continued to mobilise significant human and financial resources to help Turkish public administrations with this process, using the mechanism of Twinning administrations and agencies.

In 2011, 13 Twinning contracts have been signed with Member states (Finland, Italy, France, Greece, Germany etc.) in the area of improving skills of forensic experts, modernisation of the Turkish customs administration, strengthening the capacities of civil enforcement offices etc.

In total, 84 out of 117 projects initiated over the period 2002-2010 have been implemented and completed in 2011. Twinning continues to be an important element for further

implementation. Through the so-called Twinning Review Mission tool, in a form of a TAIEX mission, the sustainability of Twinning projects is reviewed once a year.

TAIEX:

Partner administrations benefit from TAIEX's flexibility to help meet wider training needs on EU legislation by reaching a significant number of officials, especially in the fields of heavy *acquis* chapters such as agriculture, environment and justice and home affairs.

During 2011, more than 60 workshops and expert missions took place in Turkey in addition to many Turkish officials who took part in numerous study visits and multicounty seminars in various European countries.

Two examples in order to better illustrate these activities:

A workshop on Chemical Safety Assessment was held in İstanbul on 5-6 October 2011 with broad participation by different ministries, associations, unions and manufacturers. The participants had different levels of background knowledge and experience. At the end of the workshop, their knowledge on chemical safety assessment under Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) regulation was improved.

Another example is the workshop on Irregular Migration held in Ankara in December 2011. Around 60 people from various ministries, institutions and provinces participated in the workshop. In the workshop many topics were discussed regarding irregular migration and cooperation between Turkey and EU in the field of combating irregular migration. It was considered very beneficial, especially for the Asylum and Migration Bureau of the Ministry of Interior.

3.4 Sector II Justice, Home Affairs and Fundamental Rights

One of the objectives set in the MIPD 2011-20213 under the justice, home affairs and fundamental rights sector is to implement the necessary reforms to build an independent, impartial and efficient judiciary. The second objective is to foster effective law enforcement, successful fight against crime and corruption and improved integrated border management and prevention of illegal migration. The third objective is to achieve measurable progress towards the full enjoyment of all fundamental rights and freedoms by all individuals without discrimination. The fourth objective is to set up strong democratic institutions and civil society promoting pluralism and the values of European integration. Several IPA projects have contributed to these objectives during 2011.

Under the first MIPD sector objective, 'Enhancing the Role of the Supreme Judicial Authorities in respect of European standards' (IPA 2008 – EUR 3 million) project was ongoing which was designed to enhance the respective roles of the High Council of Judges and Prosecutors and of the higher courts (Constitutional Court, Court of Cassation and State Council) as the superior judicial authorities in the accession process and in the adoption of the

European high judicial standards. It aims to enhance the commitment level of the Turkish Superior Judiciary to the EU accession criteria by raising the awareness of the leading judicial actors and establishing stronger relations with the EU and with its member states' judicial institutions with a view to benefiting from their experience in the harmonisation of legislations and judicial practices

In the penitentiary field 'Dissemination of Model Prison Practices and Promotion of the Prison Reform in Turkey' (IPA 2007 – EUR 7.2 million) project is still on-going with the aim of supporting the improvement of the penitentiary system in Turkey in line with European Prison Rules and international standards.

The Twinning Project "Implementation Capacity of the Turkish Police to prevent disproportionate use of force" (IPA 2008, EUR 1.9 million) had a very dynamic start in September 2011 and implementation of activities is in full swing. The Turkish National Police shows particular interest in and strong ownership of this project. The Minister of Interior has participated in the opening ceremony and the Twinning partners from the German and Austrian Police have expressed great satisfaction with the open and cooperative attitude of their Turkish counterparts.

The project "Justice for Children" (IPA 2010, EUR 3.15 million) is implemented via a direct grant agreement with the United Nations Children Fund (UNICEF). It aims to make a contribution towards humanisation of the juvenile justice system in Turkey via the introduction of child and youth friendly methods of dealing with offences against the law. The project started in February 2012 with the participation of the Minister of Justice and the Minister of Family and Social Policies. Furthermore, several other institutions are actively participating in the project, namely the High Council of Judges and Prosecutors and the Justice Academy.

The project "Democratic Citizenship and Human Rights Education" (IPA 2009, EUR 9.1 million) is managed by the Ministry of National Education and implemented via a direct agreement with the Council of Europe. This project has begun with its first activities back in 2001. The purpose of the project is to increase the institutional capacity of the Ministry of National Education on democratic citizenship and human rights education through developing and revising regulations and curricula on democratic citizenship and human rights education; producing educational materials and increasing the capacity and awareness on democratic citizenship and human rights education from pre-school, primary and secondary school communities (teachers, pupils, students, non-teaching staff, parents and community leaders).

3.5 Sector III Private Sector Development

The MIPD 2011-2013 for Turkey under Private sector development envisages support to increase employment, productivity and export of goods and services, particularly in the

regions where employment and business stocks are low. In this framework the following activities are being implemented:

There has been significant progress regarding the facilitation of access to finance opportunities for SMEs. *The Greater Anatolia Guarantee Facility (GAGF)*, a financial instrument designed and implemented by the European Investment Bank Group (EIB Group) for the benefit of SMEs operating in Turkey, has become fully operational in 2011. With a project budget of EUR 32 million, complemented by an EIB loan programme of EUR 250 million, the project provides loans to SMEs through Akbank, Yapı Kredi, Vakıfbank and Halkbank and micro-credits through Kredi Garanti Fonu.

Another project is the G43 Venture Capital Fund also launched during 2011 which should establish a venture capital fund targeting the least developed regions of Turkey. The project (EUR 16 million) is expected to become fully operational in early 2012.

Lending activities accelerated under the Crisis Response Package, where the Commission mobilized some EUR 470 million through the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) in late-2010. Thanks to this programme, small businesses started to receiving loans from local banks to meet their working capital and investment needs, including investments for energy efficiency.

Lending activities under the Small Enterprises Loan Programme (SELP-II), a lending facility implemented by German Development Bank KfW in association with the Council of Europe Development Bank (CEB), remained active during 2011.

Under the 2011 ESEI portfolio, a project regarding the information society and the telecommunications sector was initiated - "*Technical assistance for achieving the information society and stimulating high-speed broadband services to the benefit of consumers*". The main objective of the project is to support the creation of multi-service, high-speed, country-wide Next Generation Networks (NGN) and enhance consumer welfare in electronic communication sector, in order to spread out high-speed broadband services to consumers at affordable prices.

3.6 Sector IV: Environment and climate change

Environment and climate change continued to be one of the highest priorities under MIPD and IPA I. EU support has been increasing over the years in line with the MIPD horizontal priorities on environment, nature protection and climate change. A national Climate Change Strategy and a National Climate Change adaptation plan have been adopted by the Turkish Authorities in line with the MIPD priorities.

Environment and Climate Change projects portfolio has a wide range of environment and climate related projects including environmental investments reaching up to EUR 720 million active project assessments, including all available pre-accession instruments. Under

Component I and III, 179 contracts are active in different implementation stages The OP Environment is the most significant result of pre-accession assistance programme.

Started in in 2011, the "Control of Volatile Organic Compound (VOC) emissions" project, worth EUR 2.6 million, is meant to improve environmental quality in Turkey and to reduce or prevent the potential risks to human health and to prevent ground level ozone pollution. The project focuses on the development of administrative and legal conditions and structures meant to harmonise and implement the three EU Volatile Organic Compound Directives (Storage-94/63/EC, Solvents-99/13/EC, and Paints-2004/42/EC).

Another project started in 2011 is "Improving Emissions Control" worth EUR 2 million on the establishment of the necessary capacity to transpose and implement National Emission Ceilings Directive (2001/81/EC) in Turkey. The main focus is based on a legal gap assessment, the preparation of draft legislation for the National emission inventory and emission projections with various scenarios for four pollutants (SO₂, NO_x, VOC and NH₃).

The regulatory impact assessments for the implementation of different national emission ceilings and an agreed long-term comprehensive strategy are destined to improve the air quality from pollutants defined in NEC Directive.

3.5 Sector V: Transport

The transport sector priorities in the MIPD 2011-2013 originate from the technical assistance studies that are prepared, with EU financing, for each transport sub-sector. There is an almost complete convergence between national strategies and EU pre-accession strategies with an outlook towards 2015. The priority areas are carefully selected and project pipelines are prepared to achieve the strategic priorities.

Transport is a sector where donor coordination is necessary and very real, especially on railways. The EU Delegation is in close contact with the EBRD, the EIB and the World Bank on infrastructure and *acquis* related issues in the transport sector. The World Bank is cooperating with the EU Delegation on reform issues and the EIB is very active in co-financing infrastructure investments that are prepared by EU funding.

A number of projects were ongoing in the transport sector in 2011, mainly dealing with building technical capacity for Turkish institutions to take on responsibility for *acquis* implementation. A good example is the project on 'The Reform of Turkish Railways project' (IPA 2007, EUR 3.6 million) which aims to prepare a strategy and action plan for establishing framework conditions of restructuring and strengthening of Turkish rail sector. The main elements are a system for infrastructure capacity allocation and charging, a network statement as well as safety management systems (SMSs) of Business Units (BUs). The project implementation is becoming a success story in particular for the second and the third component. The strategy component is still under development given huge political boost after the major re-structuring of the Ministry of Transport in late 2011. After the approval, a

wide array of other rail sector areas will be supported from the EU and eventually EU players will be able to find the same safety, security and market conditions in Turkey in railways.

3.8 Sector VI: Energy

The energy sector is defined as a priority sector under MIPD document (2011-2013). Within this context, three main objectives are described; the first objective is increased capacity and better alignment in the energy efficiency field. The second objective is further alignment with and implementation of *acquis* on the internal gas and electricity market. The third objective is to bring nuclear safety in line with EU standards. The selected objectives are key priorities for Turkey, derived from the NPAA and DP and the strategies of the relevant laws concerning energy efficiency and the electricity market. In addition the types of indicators to measure developments towards these objectives are the followings:

- Promoted energy efficiency and renewable energies.
- Targeted activities to support the implementation of the *acquis* on the internal gas and electricity market cross-border exchanges in electricity and gas transmission.
- Supported nuclear safety, in particular through the safe management of spent fuel and radioactive waste.

Within this framework, one of the main targets foreseen under the second bullet was successfully achieved with the positive results of the 2007 project TR0702.05 “Rehabilitation of the Frequency Control Performance of Turkish Power System for Synchronous Operation with European Network of Transmission System Operators for Electricity (ENTSO-E), [former UCTE], Project in Turkey”. The latter has significantly contributed to the interconnection of the Turkish electricity grid with the European electricity grid.

In addition, several contributions have been provided in improving the "Improving Energy Efficiency in Buildings (IEEB)" project fiche under the 2011 portfolio. The main objective is to improve energy efficiency in buildings through better design of new buildings and retrofit of the existing ones.

A framework project “Technical Assistance for Strengthening the Institutional Capacity of Iller Bank on the Direct Utilisation of Geothermal Energy” was also successfully implemented in line with the MIPD energy related priorities particularly on the promotion of the renewable energy sources.

3.9 Sector VII: Social development

The first objective of this sector is an effective implementation of the European Social Fund (ESF) and bringing Turkey closer to the EU policies and parameters of the Europe 2020 strategy, both in terms of strengthening employment and human resources development as well as building institutional and administrative capacity. Concerning employment related

targets, operations such as Promoting Women's Employment, Promoting Youth Employment (PYE) and Promoting Registered Employment (PRE) and Improving the Quality of the Public Employment Services (PES) were implemented during 2011. Operations on Promoting Lifelong Learning (LLL) and Increasing School Enrolments Rates of Girls (ISERG) were implemented under education priority axis.

IPA Component I 2007 project "Improvement of Occupational Health and Safety Conditions at Workplaces in Turkey" (EUR 3.932 million) has assisted the Turkish government to upgrade OHS related recording system and to promote OHS culture among workplaces with specific focus on mining, construction and metal industries – that has high risk of occupational accidents and diseases. A long awaited national OHS recording system has been developed, expected to be operational in 2012.

IPA Component I 2007 project "Development of Regional Laboratories of the Occupational Health and Safety Centre" has helped enterprises, especially SMEs, apply effectively and efficiently the harmonized Occupational Health and Safety (OHS) legislation. ISGUM (Occupational Health and Safety Centre) staff has received substantial training on laboratory techniques. At the end of the project ISGUM will be able to conduct measurements for lead in air and noise parameters in line with internationally recognised standards.

IPA Component I 2007 "Strengthening Vocational Qualifications Authority (VQA) and National Qualifications System project" have started in October 2010 supporting the VQA and Occupational Standards Development, Vocational Knowledge and Skills Testing and Certification Centres (VOC-TEST) to establish and initiate an efficient and sustainable National Qualifications System based on agreed occupational standards with an appropriate system for assessment, grading and certification at all levels in line with European Qualifications Framework. Project activities are concentrated in the industrial regions of Turkey, focusing on priority commercial / industrial sectors.

3.10 Sector VIII: Agriculture and rural development

MIPD 2011-2013 sets out three main objectives for agriculture and rural development sector. The first objective is to facilitate the preparation of Turkey for the future implementation of the Common Agricultural Policy (CAP) and related policies respecting the relevant EU standards and thereby ensuring a smooth integration into the Single Market, which will be achieved by assisting Turkey with getting ready to effectively implement EU rural development programmes as well as other CAP related expenditures upon accession, including the setting-up of systems for management and control of financial expenditures and agricultural information systems. The second objective is the alignment with the *acquis* in the area of food safety, veterinary and phytosanitary policy. The third objective is the restructuring of the administrative system for fisheries required for the adoption of the *acquis* for fisheries resource management, including the strengthening of resource and fleet management as well as the fisheries inspection and control services, producer organisations

and an integrated approach to sea-related activities.” In this framework the following projects are particularly successful:

The current projects "Technical Assistance and Data Collection for Strengthening the Statistical Capacity of MFAL" (IPA, 2007, EUR 1.15 million) and "Extending the Pilot Farm Accountancy Data Network Project and Ensure Sustainability" (IPA 2009, EUR 1.45 million) are helping to improve the capacity of the Ministry of Food Agriculture and Livestock in the collection of agricultural statistics and farm level accounts respectively.

The projects "Environment and countryside under IPARD"(IPA 2009, EUR 1.14 million) and "Support for implementation of LEADER measure under IPARD" (SEI 2007, EUR 0.25 million) were both completed in 2011. They helped to develop the institutional capacity for implementation of pilot agro-environmental and community development measures respectively under the second phase of the IPARD programme.

The project "Plant Passport System and Registration of Operators"(IPA 2007, EUR 1.14 million) which was completed in 2011 helped Turkey establish the plant passport system and its implementation in Turkey.

The project “Introduction of Stock Assessment to the Fisheries Management System of Turkey” (IPA 2007, EUR 2.2 million) which was completed in 2011, contributed to capacity building in the field of stock assessment and fisheries management. It would help to reach objective of integrated and sustainable fisheries management with the implementation of action plans and road map developed by the project.

3.11 Cross-border cooperation (ENPI Black Sea basin programme and Turkey-Bulgaria programme)

In 2011, the implementation of the ENPI programme for the Black Sea basin was on-going. A number of projects contracted under the first call for proposals have started the implementation of the activities. The second call for proposals was launched in 2011 and the evaluation process is still on-going.

As concerns the implementation of the Turkey-Bulgaria CBC programme, the first call for proposals was finalised and grant contracts concluded in 2011. Those projects were contributing to boost sustainable economic development in the co-operation area and build on the comparative advantages, to improve overall social development and promote social cohesion among people and communities and to improve quality of life through the efficient use of shared natural resources as well as the protection of natural, cultural and historical heritage sites.

The evaluation process of the applications under the second call for proposals is on-going.

4. IMPLEMENTATION AND MONITORING MODALITIES AND STRUCTURES

In 2011 the national authorities of Turkey progressed substantially with the preparation for conferral of management for IPA components III, IV and V.

Progress has been made also made concerning the conditions attached to the conferral of management decisions under IPA Component I. Upon request by the Commission significant steps have been taken by the Turkish authorities with a view to set a comprehensive action plan aiming at remedying shortcomings (related to the supervisory function of the NAO, staffing and monitoring by the national authorities as well as legal bases and procedures) that have been identified in the management and control systems for IPA component I. The established comprehensive action plan was an important step forward towards improvements of management and control system in Turkey and overall if further properly implemented could bring major improvement to the functioning of the system. Following the establishment of the comprehensive action plan the national authorities took actions to address the outstanding issues and in 2011 progress was made towards the strengthening the role of NAO, and capacities of MEUA. Nonetheless further critical weaknesses remain related to CFCU supervision (staffing, procurement planning and payments as well as lack of supervision of the SPOs), therefore further efforts are needed in order create adequate capacity to absorb funds for all the operating structures of IPA funds.

For the accreditation of the operating structures under component III and IV good progress has been achieved in 2011 as all necessary procedures for granting the conferral of management were about to be completed in the end of 2011.

Regarding Component III, DG REGIO carried out the accreditation audit from 21-25 November 2011, upon the request of the NAO, to accredit the Ministry of Science Industry and Trade for conferral of the tendering, contracting and financial management functions from the CFCU to the MoSIT. The audit found the MoSIT ready for conferral and the preparations of the Commission Decision were started. The same audit was carried out for the Transport OS in the Ministry of Transport, Maritime Affairs and Communication. However, the findings did not make possible the conferral of management powers to the transport OS yet. As regards the Environment sector the Commission adopted a Decision on 20 January 2011 conferring the management power to the Ministry of Environment and Urbanisation.

Under IPA Component IV, despite delays in 2010, good progress has been achieved in 2011 in view of transferring tendering, contracting and financial management functions from the CFCU to the Ministry of Labour and Social Security. The legal basis for the Ministry to take over these tasks has been established by the Turkish authorities. The necessary staff has been recruited and trained. Procedures for procurement and calls for proposals have been defined.

In May 2011 the National Authorising Officer notified the Commission about the accreditation of the Ministry of Labour and Social Security for the tendering, contracting and financial management functions relating to the Human Resources Development Operational

Programme. Following a Commission audit, the Commission launched the procedure in view of amending the conferral of management decision adopted by the Commission itself.

For IPA Component V 2011 was marked by major progress and by the Commission's first decision to confer the IPARD management to Turkey for 17 provinces and three major measures (farm and food processing investments as well as rural economic diversification projects). While it is still too early to assess the actual effectiveness of the delivery systems based on programme implementation, the loss of funds at the end of 2011 could be avoided mainly due to pre-financing payments. The risk will however be high for 2012, where a significant amount of projects must be implemented and paid in order to avoid the loss of larger amounts. The Commission undertook immediate action to improve the absorption rates by establishing an action plan with the country, inter alia, supporting advisory and extension services, improving the publicity, ensuring the provision of credit and strengthening of the Managing Authority.

Monitoring:

Overall, important progress was achieved in the monitoring of EU funds in comparison to the previous year. In order to address the shortcomings in the monitoring system a major reform of the monitoring system has been decided between the Commission and Turkish authorities in the Joint Monitoring Committee meeting in July 2011. The latter, is since then under implementation by all relevant Turkish authorities. The monitoring reform was initiated by launching a joint mapping exercise with the Turkish national authorities to set out the roles and responsibilities of each institution and various tools available for this purpose. The reform led to the following improvements, i.e. Strengthening the role of SMSC to address issues related to programming (sector level overview) and donors' coordination with a view of reviewing the deployment of assistance in a more comprehensive manner, more regular Steering Committees coordinated on spot monitoring and better reporting to take corrective actions.

As concerns the capacities of the Turkish authorities, the major improvement was related to the upgrading of the Secretariat General for EU Affairs (EUSG) to the Ministry of European Union Affairs (MEUA). Although the capacities of the MEUA have been further strengthened through trainings and assistance delivered in the context of the ROM (result oriented monitoring) contract, much remains to be done in terms of development of own monitoring capacities of the MEUA alongside the intensification of monitoring activities.

Despite good progress in terms of management of IPA funds, there was a lack of cooperation between national authorities. Therefore further efforts are needed to disclose a more cooperative approach on monitoring issues with all stakeholders, including the EU Delegation.

In terms of on spot visits of the projects, the EU Delegation's monitoring system has also been further developed in 2011 by establishing more elaborated monitoring maps and checklists

that are used for 'on the spot' checks. The EU Delegation has intensified the 'on the spot' monitoring in the second half of 2011.

The IPA Monitoring Committee for all five components took place on 6 July 2011 in Ankara discussing progress and challenges in implementation. The main concern raised was related to the high risk of loss of significant amount of funds allocated for the Components III, IV and V due to the reasons linked to the lack of coordination between institutions, insufficient human resources and long accreditation processes. The IPA Monitoring Committee drew the attention to the fact that the coordination between institutions should be strengthened, as well as exchanging best practices and lessons learnt. The IPA Monitoring Committee welcomed the preparation of the comprehensive action plan which should be properly followed. Other concerns were raised over the CFCU capacities outlining it should reprioritise its work taking into account the risk of loss of funds across all components.

Two transition assistance and institutional building (TAIB) sector related monitoring committees were held on 2 February and on 6 July 2011 combined with the meetings concerning the programme financing Turkey's participation in the ENPI Black Sea basin programme under Component II.

Regarding the ENPI Black Sea Basin programme, Turkey participated in two Joint Monitoring Committees organised by the Joint Managing Authority (Romania).

In 2011 two rounds of sector monitoring committees took place including all three operational programmes under IPA component III and one annual technical meeting. The issues discussed concerned the programme modification for 2012-13, accreditation of the Ministry of Science, Industry and Technology as well as the Ministry of Transport, Maritime Affairs and Communication for the tendering, contracting and financial management functions for the regional competitiveness and the transport programmes, project pipelines and implementation progress for each of the programmes, including assessments of progress with tendering. Special attention was paid to the RCOP, as the project pipeline needs to be reinforced.

The human resource development sector monitoring committees for Turkey were held on 7 July 2011 in Trabzon and on 1 December 2011 in Ankara. During these meetings, the Committee examined the results of implementation of the operational programme on the basis of the 2010 sector-oriented annual report on the implementation and the results of the interim evaluation of the operational programme. The Committee was also informed about the state of implementation of on-going operations, the identification of new operations and other implementation issues such as the progress achieved in transferring tendering, contracting and financial management functions from the CFCU (Central Finance and Contracts Unit) to the Ministry of Labour and Social Security.

Last but not least, rural development sectorial committees were held on 6 July and 7 December 2011. The main topics for discussion were focused on broad issues related to the absorption of funds and to future of non-accredited measures such as support to producer groups and local rural development strategies.

PART II - FINANCIAL DATA

On implementation of assistance at 31 December 2011

IPA Turkey

Turkey	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	257,202,720	232,700,542	90.47%	135,113,422	52.53%
IPA 2008	257,125,297	177,628,020	69.08%	119,398,270	46.44%
IPA 2009	205,550,810	113,150,079	55.05%	97,977,919	47.67%
IPA 2010	218,809,826	75,048,075	34.30%	73,142,253	33.43%
IPA 2011	232,968,023	0	0.00%	0	0.00%
Total	1,171,656,676	598,526,717	51.08%	425,631,864	36.33%

IPA – Component I National Programme Turkey

Turkey	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	256,202,720	231,767,544	90.46%	134,773,281	52.60%
IPA 2008	256,125,297	177,429,358	69.27%	119,247,313	46.56%
IPA 2009	204,550,810	113,150,079	55.32%	97,977,919	47.90%
IPA 2010	217,809,826	75,048,075	34.46%	73,142,253	33.58%
IPA 2011	229,968,023	0	0.00%	0	0.00%
Total	1,164,656,676	597,395,056	51.29%	425,140,766	36.50%

IPA – Component II (CBC) Programme Turkey

Turkey	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	1,000,000	932,999	93.30%	340,141	34.01%

IPA 2008	1,000,000	198,663	19.87%	150,957	15.10%
IPA 2009	1,000,000	0	0.00%	0	0.00%
IPA 2010	1,000,000	0	0.00%	0	0.00%
IPA 2011	3,000,000	0	0.00%	0	0.00%
Total	7,000,000	1,131,661	16.17%	491,098	7.02%

ICELAND

1. SUMMARY

Following **Iceland's** application for EU membership in July 2009 and due to the country's level of economic and social development and its extended degree of alignment with EU legislation (Iceland is a member of the European Economic Area (EEA) and Schengen), IPA financial support to Iceland is to be exclusively implemented under IPA Component I 'Transition Assistance and Institution Building'.

The Multi-annual Indicative Planning Document (MIPD) 2011-2013, which is the key strategic planning document for financial assistance under IPA in Iceland, was adopted on 8 April 2011.

Based on the priorities set in the MIPD 2011-2013, an IPA National Programme 2011 for Iceland was adopted on 2 December 2011. The MIPD sets out two strategic objectives to be financed under IPA assistance. On the one hand, to further enhance Iceland's ability to assume the obligations of membership by supporting institutional capacity building for *acquis* transposition and implementation and, on the other, to reinforce Iceland's institutional capacity in its preparations for participation in and implementation of Structural and other EU funds.

The 2011 Programme will support seven projects. The budget is EUR 12 million and balance between the two priority axes set in the MIPD was taken into consideration.

2. STRATEGIC PLANNING AND PROGRAMMING

2.1 Multi-annual Indicative Planning Document

The global objective of EU financial assistance to Iceland is to support its efforts towards compliance with the EU *acquis*, in order to become fully prepared to take on the obligations of membership of the European Union.

The MIPD sets out two strategic objectives, to be financed under IPA assistance:

- to further enhance Iceland's ability to assume the obligations of membership by supporting institutional capacity building for *acquis* transposition and implementation.
- *to reinforce Iceland's institutional capacity in its preparations for participation in and implementation of Structural Funds and other EU funds.*

The Commission's Opinion on Iceland's application for membership of the European Union of 24 February 2010 constitutes the key reference for identification of IPA programming priorities. On 9 November 2010, the Commission adopted its 2010 enlargement package. The

2010 Progress Report for Iceland, the first of its kind, confirms and further supports the priorities for pre-accession financial assistance that were identified in the Commission Opinion.

Table 1: MIFF¹⁰ allocations per component, in EUR million

Component	2011	2012	2013	2011-2013
I – Transition Assistance and Institution Building	12	12	6	30

2.2 Programming

2.2.1 Component I

2011 National Programme

The National Programme was set between December 2010 and June 2011. A number of consultations took place in July 2011, with Civil Society organisations, the EU Member States and International Financial Institutions (namely the IMF) in Iceland. The programme was presented to the IPA management committee in October 2011.

The total EU contribution for the 2011 Programme is EUR 12 million. The additional national contribution is EUR 3.74 million. Out of the EUR 12 million, EUR 9 million is for four projects falling under the first strategic priority of the MIPD (*to further enhance Iceland's ability to assume the obligations of membership by supporting institutional capacity building for acquis transposition and implementation*) and EUR 3 million for three projects under the second strategic priority (*to reinforce Iceland's institutional capacity in its preparations for participation in and implementation of Structural Funds and other EU funds*). EUR 9.8 million is targeted at institution building activities and EUR 2.2 million is dedicated to investments.

First lessons learned in the implementation of TAIEX assistance in Iceland confirm the specificity of needs in light of the high standard of public administration in Iceland, the very small size of the Icelandic administration and, linked to this, the limited absorption capacity for large scale technical assistance support. This specific setting underlines the need to ensure

¹⁰Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2011-2013', COM (2009) 543 of 14.10.2009.

flexibility and synergy in the provision of IPA assistance under the National IPA Programme, TAIEX short and medium term assistance, and the Multi-Beneficiary Programmes.

Iceland National Programme 2011 under IPA Component I

<i>Axis 1 - Building administrative capacity for acquis transposition and implementation</i>	<i>EU contribution</i>	<i>IPA</i>	<i>National contribution</i>	<i>Total amount (EU+National contribution)</i>
Project 1: Institutional and laboratory capacity building to ensure food safety	1,900,000		9,200	1,909,200
Project 2: Preparation for Implementing the Habitats and Birds Directives	3,685,000		751,100	4,436,100
Project 3: Strengthening National Accounts	825,000		245,000	1,070,000
Project 4: Translation of the <i>acquis</i> and support to setting up the conference interpretation programme at the University of Iceland	1,500,000		1,923,000	3,423,000
<i>Total Axis 1</i>	<i>7,910,000</i>		<i>2,928,300</i>	<i>10,838,300</i>
<i>Axis 2 - Preparation for effective use of Structural Funds and other EU funds</i>	<i>EU contribution</i>	<i>IPA</i>	<i>National contribution</i>	<i>Total amount (EU + National contribution)</i>
Project 5: Katla Geopark: Regional development for the Eyjafjallajokull area	560,000		187,000	747,000
Project 6: Increasing employability of low qualified workers through the development of a skills recognition system in adult education	1,875,000		625,000	2,500,000
Project 7. Technical Assistance and Structural Funds Preparation Facility	1,655,000		-	1,655,000

<i>Total Axis 2</i>	<i>4,090,000</i>	<i>812,000</i>	<i>4,902,000</i>
<i>Total Axis 1 + Axis 2</i>	<i>12,000,000</i>	<i>3,740,300</i>	<i>15,740,300</i>

Iceland National Programme 2012 under IPA (Transition Assistance and Institution Building Component)

<i>Axis 1 - Building administrative capacity for acquis transposition and implementation</i>	<i>EU contribution</i>	<i>IPA</i>	<i>National contribution</i>	<i>Total amount (EU + National contribution)</i>
Project 1: Preparation for implementing the Water Framework and Floods Directives in Iceland	1,722,400		587,195	2,309,595
Project 2: Translation of the acquis	1,000,000		2,281,305	3,381,305
<i>Total Axis 1</i>	<i>2,722,400</i>		<i>2,968,500</i>	<i>5,690,900</i>
<i>Axis 2 - Preparation for effective use of Structural Funds and other EU funds</i>	<i>EU contribution</i>	<i>IPA</i>	<i>National contribution</i>	<i>Total amount (EU + National contribution)</i>
Project 3: Preparations for implementation of Structural Funds in Iceland	9,275,000		2,595,000	11,870,000
<i>Total Axis 2</i>	<i>9,275,000</i>		<i>2,595,000</i>	<i>11,870,000</i>
<i>Total Axis 1 + Axis 2</i>	<i>11,997,402</i>		<i>5,563,500</i>	<i>17,560,900</i>

3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2011

The National Programme 2011 for Iceland is the first programme for the country, so no implementation has taken place yet.

PART II - FINANCIAL DATA

On implementation of assistance at 31 December 2011

IPA Iceland

Iceland	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2010					
IPA 2011	12,000,000	0	0.00%	0	0.00%
Total	12,000,000	0	0.00%	0	0.00%

IPA – Component I National Programme Iceland

Iceland	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2010					
IPA 2011	12,000,000	0	0.00%	0	0.00%
Total	12,000,000	0	0.00%	0	0.00%

THE FORMER YUGOSLAV REPUBLIC of MACEDONIA

1. SUMMARY

The former Yugoslav Republic of Macedonia continued accession-related reforms with the support of IPA, though core challenges remained in 2011. For the first time the implementation of all IPA Components, except Component II- Cross-border cooperation, took place under decentralised management, which implies that the management of programmes is undertaken by the relevant national authorities, currently subject to *ex ante* controls by the European Commission.

Public administration efficiency was low, reflecting heavy procedures, weaknesses in staffing and a high turnover of officials. In comparison to previous years, greater efforts were made by the beneficiary country to utilise the available funds from all IPA Components, although there were evident delays in procurement. Limited availability of appropriate experts to draft tender documents or evaluate proposals hampered the procurement process mainly affecting IPA Components I, III and IV. The level of commitment and capability differed between line Ministries. Greater awareness and commitment are needed to strengthen capacity in order to successfully absorb IPA funds. This, moreover, requires greater ownership in the area of strategic programming and project preparation in the future.

The 2011 Component I National Programme, with an EU contribution of EUR 28.903 million, was approved along a streamlined sector-clustering of the projects along the main reform priorities of the country. EU support previously programmed under IPA 2007-2008 and managed by the EU Delegation has been fully contracted.

2. STRATEGIC PLANNING AND PROGRAMMING

2.1 Multi-annual Indicative Planning Document

The Commission took a number of steps to enhance the strategic nature of programming over the last few years and to strengthen the link between the priorities established in the progress reports and the programming of assistance. To better illustrate this focus, and to strengthen ownership by the beneficiary countries, the Commission started moving to a sector-based logic in its planning of pre-accession assistance.

In agreement with the national authorities it was decided to concentrate efforts on targeted sectors, with concrete indicators. The priority sectors as described in the MIPD 2011-2013 are: public administration; justice, home affairs and fundamental rights; private sector development; agriculture and rural development; transport; environment and climate change, and social development.

Table 1: MIFF¹¹ allocations per component, in EUR million

Component	2011	2012	2013	2011-2013
I – Transition Assistance and Institution Building	28.80	27.20	27.94	83.94
II – Cross-border cooperation	5.12	5.03	5.24	15.39
III – Regional Development	39.30	41.03	51.80	132.13
IV – Human Resources Development	8.80	10.38	11.20	30.38
V – Rural Development	16.00	18.22	21.02	55.24
TOTAL	98.03	101.88	117.21	317.11

2.2 Programming

2.2.1 Component I

The programming of Component I for 2011 began in 2010 and the programme was adopted in November 2011. Efforts were made by the Commission to focus on sector approach and that required re-programming the annual package in order to better focus on results and MIPD targets and indicators. Participation in Union Programmes and Agencies was once more part of the support given to the country as well. In 2011 the preparatory measures for the Lifelong Learning and Youth in Action Programmes, suspended in 2010, were resumed. Furthermore, a new Memorandum of Understanding for the Intelligent Energy - Europe II (IEE II) pillar of the Competitiveness and Innovation framework programme (2007-2013) was adopted by the European Commission in May 2011, and signed in June, allowing the participation of the country in the open 2011 call for proposals of that programme.

The 2011 National Programme was the first drafted following a sector approach, with 10 interventions in the areas of public administration, rule of law, agriculture, private sector development, environment and social development. In addition, a sector measure tackling other important flexible administrative capacity needs was included in the programme. Only the most relevant and implementable projects proposed by the national authorities were considered.

When it comes to donor coordination, EU assistance to the national authorities in their efforts to strengthen the public administration reforms, environment, competitiveness and fight

¹¹Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2011-2013', COM (2009) 543 of 14.10.2009.

against corruption was designed to be in synergy with funds from the Organisation for Security and Cooperation in Europe (OSCE), Norway, United States Agency for International Development (USAID), the World Bank, and the Netherlands and followed by assistance from Germany, UNDP and other multilateral donor.

Stronger participation and input by the beneficiary institutions along the programming cycle has been supported by IPA 2007 and 2008 projects dealing with Public Internal Financial Control, Local Infrastructure, and targeted support to the Ministry for Information Society and Public Administration.

Table 2: Indicative financial allocations for the year under the National Programme, per priority axis and per project, in EUR million

SECTORS	Projects	Budget
PUBLIC ADMINISTRATION REFORM		
	1. Public Administration Reforms and E-Government	3.595
	2. Further development of the Civil Society	1.200
JUSTICE, HOME AFFAIRS AND FUNDAMENTAL RIGHTS		
	3. Strengthening the Rule of Law in the field of organised and serious crime, alignment with EU <i>acquis</i> on Fundamental Rights as well as strengthening the judiciary's knowledge on the case-law of the European Court of Justice	2.397
	4. Freedom of Expression – Support to Media Reforms	1.460
PRIVATE SECTOR DEVELOPMENT		
	5. Bankruptcy and voluntary liquidation of companies	1.269
AGRICULTURE and RURAL DEVELOPMENT		
	6. Upgrade of institutional and administrative capacities in line with Common Agricultural Policy (CAP) requirements	2.537
SOCIAL DEVELOPMENT		
	7. Mutual Recognition of Professional Qualifications	1.373
	8. Local integration of refugees, internally displaced persons and minority groups ((mainly for the construction of housing units)	2.962
SUPPORT AND OTHE ACTIVITIES		
	9. Reinforcement of Administrative Capacity to meet the obligations of	7.495

membership (including Twinning arrangements)		
	Including a TA Flexible Facility	3.000
10. Union Programmes and Agencies		4.613
TOTAL		28 90

2.2.2 /2.2.3/2.2.4 - Components III, IV and V

As far as Component III programming is concerned, the modification of the country Operational Programme (OP) for Regional Development - with a total budget of EUR 128.47 million out of which EUR 109.2 million is the IPA contribution 2007-2011- was agreed the previous year and the modified Financing Agreement entered into force on 10 January 2011.

No programming under Component IV to be reported in 2011 as the revision of the 2012-13 OP is planned for the first semester of 2012.

In December 2011 the third modification of the Component V IPARD Programme was adopted (COM (2011)9923). It included adaptation of the financial tables in the OP in order to take into account the new financial allocation for 2011 according to the MIPD 2010 - 2012. According to the new financial allocation IPARD funds for 2011 were increased from EUR 14 million to EUR 16 million. Furthermore, in December 2011 the Sectorial Agreement concluded between the country and the EU was modified in order to reflect the amendment of Article 188 of Commission Regulation (EC) No 718/2007. With this amendment the basis for calculation of the pre-financing was changed from "the first three years" to "the three most recent years". This prevented de-commitment of funds through increasing the rate of pre-financing not only for Component V but also for Components II and IV.

3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2011

The year 2011 has seen several major achievements in operational terms:

- The contracting of all outstanding projects under IPA 2008- Component I
- 3 call for proposals launched under the IPARD Programme and first direct payments to farmers made in the country and 62 contracts signed for a value of more than EUR 1 million.
- The European Commission and the Government of the former Yugoslav Republic of Macedonia concluded a Memorandum of Understanding on the association of the country to the Intelligent Energy - Europe II (IEE II) pillar of the Competitiveness and Innovation framework programme (2007-2013).

3.1. Success stories

Among the success stories, the IPA 2007 Project Local infrastructure for Social and Economic Cohesion supported improvement of the infrastructure in municipalities through completion of selected small-scale projects as well as of staff capacity reinforcement in the Ministry of Local Self-Government and municipalities, in particular in decentralised sectors and in areas targeting the most economically vulnerable. The total contracted value amounted to EUR 6.572 million, of which 11 works contracts (of a total value of EUR 4.582 million) were implemented (construction phase) throughout 2011. They included installation of hydraulic stoppers in the old city of Skopje to preserve the historical centre from road traffic, renovations in over 20 school buildings across the country; constructions of buildings for youth, culture or sport activities in different cities. The project had a substantial impact on the selected municipalities including enhancement of EU visibility thanks to the Municipal Awards.

3.2 Overview of the implementation status of the different instruments and components

During 2011 the Delegation contracted EUR 14 million and paid EUR 25 million, under IPA Components I and II, which represents EUR 6 million more paid than in 2010. This can be broken down as follows:

- 34 Contracts under IPA 2008 Component I = EUR 11.5 million;
- 15 Contracts under IPA 2007 Component II, CBC with Albania = EUR 0.8 million;
- 7 Contracts under IPA 2007 Component II, CBC with Greece = EUR 0.7 million;
- 5 Contracts under IPA 2008 Component II, ERDF European Territorial Co-operation transnational programme 'South-East Europe' = EUR 0.4 million;
- 7 Contracts under IPA 2010 Information and Communication = EUR 0.6;
- 3 Contracts under IPA ATA 2011 = EUR 0.08;

Insufficient absorption capacity by the national authorities was still evident across IPA Components and was mainly related to the shortcomings of key institutions (NIPACs office, Central Financing and Contracting Department-Minister of Finance, Audit Authority and most Line Ministries). The introduction of Decentralised Implementation System (DIS) for Component I in December 2010 triggered a remarkable slow-down in procurement, as it has been the case with Components III and IV where DIS was introduced in 2009. Under these two Components we still observed a considerable number of hick-ups in 2011.

During 2011 implementation of IPARD advanced as compared to 2010 and three calls for applications were announced. The results from the calls showed that farmers maintained their interest to apply under IPARD, while at the same time the quality of submitted applications improved, leading to a decrease in the rejection rate.

3.3 Sector I: Public Administration Reform

IPA provided substantial support to the tax reform since 2007 aiming at improving the quality of services towards the taxpayers, as well as strengthening the administrative and operational capacity of the Customs Administration. Support under IPA Component I - 2007 for strengthening the capacity of the General Secretariat of the Government - Sector for Policy Analysis and Coordination was crucial for designing the 2010-2015 Strategy for PAR.

The Twinning instrument was used successfully in many priority areas to transfer experience from Member States' experts and helped the country to prepare for the implementation of EU policies and laws in 2011. Some of the most successful ones were the one supporting the Energy Regulatory Commission, the Tax Inspectorate for Corruption Prevention and Special Proceedings Units, in order to conduct special investigations for fighting tax evasion and corruption, as well as a project to increase the correct application of procurement and financial management procedures by authorities in charge of managing EU funds.

All relevant 2007 projects under Component I (4 overall) were completed, and other 4 financed under IPA 2008 were under implementation in 2011. Institution and capacity building activity under the TAIEX instrument was also intense, like every year, particularly in the fields of agriculture, internal market and justice and home affairs, as can be seen from the tables bellow. Out of 212 requests received from different ministries, 143 were accepted.

The former Yugoslav Republic of Macedonia - 2011				
Event type	Single Country Events	Multi-country Events	All events	Experts mobilised (Single country and multi-country events)
AGR	3	14	17	133
AGR IND/EXP	14		14	20
AGR IND/STUD	6	4	10	10
INFRA	1	2	3	19
INFRA IND/EXP	5		5	6

INFRA IND/STUD	3	1	4	6
INT MARKT	14	14	28	222
INT MARKT IND/EXP	14		14	20
INT MARKT IND/STUD	18		18	23
JHA	36	15	51	247
JHA IND/EXP	6		6	10
JHA IND/STUD	41		41	39
LAF		1	1	14
P2P	1	18	19	256
RTP		5	5	68
Grand Total	162	74	236	1093
3283 participants from former Yugoslav Republic of Macedonia attended TAIEX events in 2011				

In addition, a number of study tours were organised in the area of Climate Change, Vocational Training, Tourism, Rural Development, Conservation of cultural heritage and public procurement, where staff from municipalities and regional administration were the main beneficiaries. Regarding the People to People Programme (P2P), some study tours were organised for CSO's and other organisations in the areas of tourism, gender, HIV/AIDS, media freedoms, cultural heritage, environment, waste management, education, public health, etc.

3.4 Sector II: Justice, Home Affairs and Fundamental Rights

IPA Component I 2007-2008 projects focused on legislative reforms in integrated border management, immigration and asylum, fight against crime and corruption, upgrading the country's border posts, providing support to institutions, such as the Parliament, the Directorate for Personal Data Protection, the Ombudsman, juvenile justice and the Unit for the implementation of the Roma Strategy, that have a key role in ensuring appropriate levels of transparency and accountability and protecting the fundamental rights of the citizens.

The Twinning contract "Support to the Ombudsman" (budget EUR 600,000) can be highlighted as a success story. The project financed under IPA 2008 is jointly implemented by the French national Ombudsman (the former 'Médiateur de la République', now 'Défenseur des Droits') and the Spanish 'Defensor del Pueblo'. It started in February 2011 and will be ending by November 2012.

The goal is to strengthen the capacities of the Ombudsman Office, based on four pillars: internal revision of the working methods and of the IT systems used in the Ombudsman Office; preparation of a strategic plan for communication meant to increase public awareness about the Ombudsman's work; introduction of three new units. Another goal of the project is to contribute towards implementation of new proposals and reforms which may optimize the functioning of the institution and strengthen its financial independence.

With the ratification of the Optional Protocol to the Convention against Torture and Other Cruel, Degrading and Inhuman Treatment or Punishment (OPCAT) by the national Parliament, the Ombudsman Office was entrusted the role of the National Preventive Mechanism, in a similar way as its Spanish counterpart. Throughout the whole project implementation, a Counsellor of the Spanish Ombudsman has been based in Skopje as Resident Twinning Adviser.

3.5 Sector III: Private sector development

The sector has been mostly supported through projects under regional projects, like the Western Balkans Investment Framework (WBIF) as well as TAIEX. IPA Component I and IV funded several relevant actions, aiming at strengthening government administrative capacity for protection of competition, for modernising the Employment Service Agency and for coordination of social security systems and participation in EURES (European Employment Services Network) in the framework of the freedom of movement of workers.

3.6 Sector IV: Agriculture and rural development

In 2011 three calls for IPARD (IPA Rural Development) applications were organised. The first two calls resulted in 62 contracts signed, while the 92 applications received during the third call were still under processing and contracting at the end of the reporting year. The analysis of the results from these calls showed that the majority of contracted projects are under measure 101 'Investments in agriculture holdings to restructure and to upgrade to EU standards' and measure 103 'Investments in the processing and marketing of agricultural products. Preparation of projects under measure "Diversification and development of rural economic activities" seemed to be most difficult and most of the projects submitted were rejected as ineligible.

The first payments of IPARD funds to final beneficiaries were made in 2011, which at the end of the year amounted to approximately 1.000.000 Euro of EU contribution, still a modest amount representing only 2% of available funds 2007-2011 under IPA Component V.

Despite the encouraging evolution of the IPARD Agency in 2011, the speed of programme implementation was still slow as the majority of the previously identified problematic issues were still not solved, and the Technical Assistance measure was still not accredited.

In October 2011 an audit mission on the local IPARD procedures and structures was carried out, revealing serious deficiencies, notably in the internal control standards, and on some procedures for the attribution of investment aid. Those shortcomings will need to be fully addressed by the national authorities in the coming months in order to avoid any corrective measure by the European Commission.

Under IPA Component I – 2008 the project *Design of a functional Integrated Administration and Control System (IACS) and associated institutional capacity* ended in November 2011 (Contract value EUR 538,750). Project activities had been fully implemented with excellent co-operation between contractor and beneficiaries. The following main results were achieved: campaign for setting up a functional LPIS in the whole territory of the country prepared and implemented; cooperation agreements relating to land identification between farmers/breeders and the IACS unit developed and introduced -around 1,700 meetings with farmers have been completed (over 8,000 parcels digitised); and basis for a functioning LPIS established and operational on the whole territory of the country.

As far as Veterinary policy is concerned, two vaccination campaigns - spring (May – June 2011) and autumn (October 2011) – were completed successfully (about 90% of foxes vaccinated). Contract amount was EUR 940,000 financed under IPA Component I -2008.

3.7 Sector V: Transport

2011 was a year of progress, yet the progress remains uneven. Although two more contracts were signed during the reporting period (for Skopje railway station rehabilitation and for the OP's own interim evaluation) under IPA Component III, the contracting rate and real payments to beneficiaries remained very low.

After severe delays in the preparation of the major project under Component III "*Construction of new motorway section Demir Kapija-Smokvica as a part of pan - European Corridor X*" throughout 2010, the project file was finally approved by the Commission on 18 November 2011. The Bilateral Project Agreement was signed by both sides on 9 December 2011 in Skopje, during a visit by DG REGIO. The project was tendered already in the fall of 2011 and fifteen offers were received from a large range of operators. Evaluation will be finalized by spring 2012.

There was some progress regarding other projects in the transport sector, as six different Operational Identification Sheets were ready and would be approved in early 2012 (railroad station rehabilitation; railroad security upgrades; project preparation for a new railway line to Kicevo).

3.8 Sector VI: Environment and climate change

After lengthy preparation the major project for the construction of the waste water collection and treatment system for the municipality of Prilep, supposed to serve as a learning exercise for the preparation and later implementation of similar projects, was approved by the Commission in November 2011. However, the procurement process faced delays and will start only in 2012.

The national authorities faced the challenge of preparing a sufficient pipeline of mature projects able to absorb the planned allocations. Despite considerable acceleration in project selection and approval under the OP Regional Development, implementation has not yet fully covered the allocations of the environment axis. This is not only due to the complexities of procurement preparation but to more important difficulties in the set-up of the institutional framework necessary to operate such projects in the long term; for example, the newly established – also with IPA support - regional waste management bodies are still not operational.

Under Component I support was also given to strengthen the central and local level administrative capacities for waste management and related aspects of industrial pollution prevention and environmental impact assessment concerning landfills.

3.9 Sector VII: Social development

The financial plan of the Operational Programme Human Resources Development (OPHRD) 2007-2011 amounted to EUR 39 million. By end 2011, the national authorities had declared certified expenditure incurred only to the amount of EUR 3.5 million, i.e. less than 10% of the financial plan. De-commitment of funds at end 2011 was largely avoided because of the availability of an additional pre-financing for the OPHRD following the modification of the IPA Implementing Regulation.

The administrative capacity of IPA units in the Line Ministries (Ministry of Labour & Social Policy and Ministry of Education and Science) was reinforced with the contribution of the expertise provided by 5 Twinning projects, 3 of which started in 2011:

1. Support on the preparation of the country to manage the European Social fund through implementation of the Human Resources Development Component of IPA instrument, under implementation since February 2011
2. Support to the National Employment Policy, started in September 2011:

3. Support to the Modernisation of the Educational and Training System, IPA Component IV Human Resources Development, on-going since October 2011.

The audit carried out by DG EMPL in May 2011 identified a number of shortcomings in staff in the Operating Structures, which would be partially addressed by the upcoming additional hiring of 15 staff positions for IPA component IV in 2012.

3.10 Cross-border Cooperation

The former Yugoslav Republic of Macedonia participates in four bilateral IPA cross-border programmes with its neighbouring countries Albania, Bulgaria, Greece and Kosovo, as well as in the transnational South-East Europe programme. A total of 27 new grant contracts were signed, distributed per programme as follows: 7 contracts under the first Call for proposals of the programme between the former Yugoslav Republic of Macedonia-Greece (IPA 2007, EUR 0.7 million; 15 grant contracts under the CBC with Albania (IPA 2007, EUR 0.8 million); and 5 Contracts under the ERDF European Territorial Co-operation Transnational Programme 'South-East Europe' (IPA 2008, EUR 0.4 million).

Under the CBC Programme with Albania 17 contracts were under implementation, in important areas for the cross-border region such as eco-tourism, collaboration between Chambers of Commerce on both sides of the border; promotion of business women enterprises; awareness campaigns on the protection of the area of Shebenik-Jablanica trans-border natural park as well as promotion of the Galicica and Prespa national parks as tourist destinations; and development of services in order to create better employment opportunities in the border region.

4. IMPLEMENTATION AND MONITORING MODALITIES AND STRUCTURES

In light of the accreditation for decentralised management of all IPA Components by national authorities (yet with the exception of Component II CBC), Sectorial Monitoring Committees for all IPA components were organised regularly, including the annual IPA Joint Monitoring Committee held on 2 December 2011. Two Transition Assistance and Institution Building Sectorial Monitoring Committees were held in Skopje in 2011 (one in May, the second in October). In addition, progress in the area of monitoring of the IPA Operational Programmes was attained by larger involvement of the national structures; nevertheless, the monitoring capacities within NIPAC and CFCD should be further reinforced.

Regarding implementation and monitoring activities under centralised management, the EUD conducted monitoring of the on-going projects on regular quarterly basis in the form of Project Review meetings where different operational and financial issues were discussed. Besides the monitoring done by each Component sectorial committees, a number of projects under IPA 2007/2008-Component I started to be included in the Result Oriented Monitoring (ROM) which operated on a multi-country basis. This tool complemented the internal

monitoring activities carried out by the EU Delegation under various forms (regular reporting, steering committee meetings, project implementation reviews).

Weaknesses in the management and control system reached a new, higher level of concern at the end of 2011. Despite good progress made during 2010 in establishing the institutional framework, national authorities faced problems with an increase workload hard to manage by understaffed institutions, and the challenges of implementing four out of five IPA Component under decentralised implementation system.

In 2011 all necessary legal steps to establish the IPA Audit Authority were formally completed, in particular as regards the appointment of the General IPA Auditor. However, some specific shortcomings, in terms of its operational budget, contractual arrangement of its staff and professional qualifications of the top management, together with the Commission's common concern on under-staffing in key IPA management bodies, were the underlying reasons of the qualified opinions of the Commission auditors in 2011. That might cause in the medium term some corrective measures or even the activation of an interruption of payments for Components III, IV and V. Last but not least, current performance would be one of the benchmarks to decide future IPA country allocations; therefore urgent remedy actions were expected from the national authorities to see IPA back on track in 2012.

There has been increased attention by the European Parliament's committee on Budgetary Control (CONT) to the former Yugoslav Republic of Macedonia's use of pre-accession funds. Following a visit to the country by European Parliament Committee in June 2011, a feedback report was established and discussed in the relevant Parliamentary committees. The findings of the report in connection to the use of IPA funds were largely positive but referred also to the need to strengthen administrative and absorption capacities of the national administration.

PART II - FINANCIAL DATA

On implementation of assistance at 31 December 2011

IPA former Yugoslav Republic of Macedonia¹²

former Republic of Macedonia	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	34,474,174	32,536,093	94.38%	28,653,393	83.12%
IPA 2008	38,969,289	34,599,666	88.79%	20,233,246	51.92%
IPA 2009	39,086,742	152,310	0.39%	91,386	0.23%
IPA 2010	40,012,429	0	0.00%	0	0.00%
IPA 2011	32,028,678	0	0.00%	0	0.00%
Total	184,571,312	67,288,069	36.46%	48,978,025	26.54%

IPA – Component I National Programme former Yugoslav Republic of Macedonia

former Republic of Macedonia	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	34,021,154	32,268,206	94.85%	28,438,058	83.59%
IPA 2008	37,122,001	34,234,716	92.22%	19,999,925	53.88%
IPA 2009	37,060,500	152,310	0.41%	91,386	0.25%
IPA 2010	36,917,068	0	0.00%	0	0.00%
IPA 2011	28,903,410	0	0.00%	0	0.00%
Total	174,024,133	66,655,232	38.30%	48,529,369	27.89%

¹²Decentralised Management since 2009

IPA – Component II (CBC) Programme former Yugoslav Republic of Macedonia

former Republic of Macedonia	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	453,020	267,887	59.13%	215,335	47.53%
IPA 2008	1,847,288	364,950	19.76%	233,321	12.63%
IPA 2009	2,026,242	0	0.00%	0	0.00%
IPA 2010	3,095,361	0	0.00%	0	0.00%
IPA 2011	3,125,268	0	0.00%	0	0.00%
Total	10,547,179	632,836	6.00%	448,656	4.25%

MONTENEGRO

1. SUMMARY

Montenegro continued, throughout 2011, its efforts to address the key priority areas highlighted in the 2010 Commission Opinion. The progress achieved by the country was confirmed by the recommendation of the European Commission in October 2011 to open accession negotiations. Assistance to Montenegro under IPA in 2011 further supported the progress and reform efforts of the national authorities, as highlighted by the Commission's on-going monitoring and reporting.

The bulk of IPA assistance was programmed under IPA Component I – Transition Assistance and Institution Building National Programme, with an overall EU contribution of EUR 26.494 million. Implementation of IPA funds continued to be primarily the responsibility of the EU Delegation in Podgorica. In parallel, the Montenegrin authorities started preparations for moving towards decentralised management. In light of having received candidate country status in December 2010, IPA funds in Montenegro also supported the national authorities in the necessary preparations for the management of assistance under the Regional Development, Human Resources Development, as well as Agriculture and Rural Development IPA components.

2. STRATEGIC PLANNING AND PROGRAMMING

2.1 Multi-annual Indicative Planning Document

In November 2011, the Commission adopted a revised Multi-annual Indicative Planning Document (MIPD) for the years 2011-2013, which entered into force following the amendment of the IPA Regulation by which Montenegro was transferred from Annex II of the regulation (potential candidates) to Annex I (candidate countries)¹³. Montenegro will receive an indicative allocation of EUR 104 853 687 of pre-accession funds during the period 2011-2013. This amount includes the IPA Component II, Cross-Border-Cooperation, which is included in a separate MIPD.

The new MIPD took into account the needs identified in the European Partnership, Montenegro's own national sectorial strategies, as well as the key priorities of the Commission's Opinion¹⁴, and also taking into account the newly granted candidate country status for Montenegro.

¹³Regulation (EU) n° 153/2012 of the European Parliament and of the Council of 15 February 2012 amending Council Regulation (EC° n°1085/2006 establishing an Instrument for Pre-Accession Assistance (IPA)

¹⁴SEC(2010) 1334

The Government of Montenegro, local stakeholders, EU Member States, as well as other international donors were all extensively consulted during the process of drafting the MIPD.

Taking into account that other donors are also actively involved in Montenegro, the areas where IPA can contribute best to the accession process of the country are linked to the following priorities: (i) address the key findings of the Commission Opinion; (ii) preparation for the use post-accession funds; and (iii) alignment to the *acquis* and (iv) achieving decentralised management of IPA funds.

To achieve these priorities in the programming period 2011-2013, the Commission decided to focus its assistance on the following sectors: 1. Justice and home affairs and fundamental rights; 2. Public administration reform; 3. Environment and climate change; 4. Transport; 5. Social development; 6. Agriculture and rural development. These sectors have been established on the principle of a more focused approach on a more limited number of sectors. The switch to a more sectorial approach in programming EU assistance in Montenegro in 2011, although only in the incipient stages, already helped increasing the donors' and beneficiaries' coordination and the identification of existing gaps in each priority area.

Finally, while the MIPD illustrates Enlargement specific priorities, it also draws from the “Europe 2020” Agenda, by improving regional competitiveness, as well as the management of both human capital and natural resources, as illustrated by the priority sectors 3 to 6.

Table 1: MIFF¹⁵ allocations per component:

Component	2011	2012	2013	2011-2013
I – Transition Assistance and Institution Building	29,843,	16,346,471	5,238,958	51,429,028
II – Cross-border cooperation	4,310,344	4,588,551	4,418,687	13,317,582
III – Regional Development		8,000,000	15,200,000	23,200,000
IV – Human Resources Development		2,800,000	2,957,077	5,757,077
V – Rural Development		3,300,000	7,600,000	10,900,000
TOTAL	34,153,943	35,035,022	35,414,722	104,603,687

Following the decision of the European Council to grant Montenegro the candidate country status, in 2011 Montenegro became also eligible for assistance under IPA Components III, IV

15 Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2011-2013', COM(2009) 543 of 14.10.2009.

and V. Taking into account the experience of other IPA beneficiary countries with the implementation of assistance under these three components, discussions took place on how to best to share the financial envelope between all the IPA components. In order to allow time for the preparatory work necessary for setting up the necessary legal and institutional framework for initiating assistance under IPA Components III to V, the Commission services decided to allocated funds for these components only starting in 2012, while in 2011 Component I projects will give support to the national authorities for setting up the necessary structures.

2.2 Programming

2.2.1 Component I

The 2011 National Programme for Montenegro under the IPA Transition Assistance and Institution Building was adopted by the European Commission on 14 November 2011, following extended consultations between the European Commission, the national authorities and other stakeholders.

The National Programme is split between six sectors in line with the MIPD 2011-2013: (1) Rule of law; (2) Public administration; (3) Environment and climate change; (4) Transport; (5) Social development and (6) Agriculture and rural development.

The EU assistance under this programme focused on supporting the key priorities of the Commission's Opinion (reference), the continuing the efforts for aligning to the EU acquis, but also on preparatory work for setting up of IPA Components III, IV and V of IPA; and on supporting the *acquis*.

The first two sectors are a priority for Montenegro, as they allow the implementation of the 'key priorities', as well as for preparing for decentralised management of EU funds. Sectors 3 to 6 are essential for the socio-economic development of the country as well as for preparing components III to V of IPA. The programme also includes support for the participations in Union programmes such as the 7th Framework programme in Research; Entrepreneurship & Innovation; and Culture and Customs 2013.

Consultations with donors held in the country showed that priority areas for future development assistance are environment, good governance and rule of law, as well as EU accession. Donor coordination with IPA is crucial for the efficient use of scarce funds. And in 2010, a specific position for donor coordination has been created within the Prime Minister's office. To date, no "lead donor" from EU Member States was identified for a given sector, due to the small size of the country and given that IPA is by far the largest donor.

Lessons learned, both from the enlargement process of the now EU-10 and EU-2 countries were integrated in the design of assistance in Montenegro. A key lesson learnt from the previous enlargements was that reforms in the judiciary and rule of law should be tackled at

an early stage of the pre-accession process in order to produce results on time, and this was integrated in the design of the MIPD and 2011 National Programme. Furthermore, experience showed that in the sectors of environment and transport an adequate project pipeline and quality project preparation is essential to success; and competent and strong managerial capacities should be in place, at local and national levels. These issues represent now the focus of the project preparation facility,

In 2011, Montenegro was allocated under IPA a total amount of EUR 34 153 943, out of which EUR 4 310 344 was earmarked for Cross Border Cooperation Programmes (IPA Component II). From the remaining EUR 29 843 599 for Component I, EUR 3.35 million was allocated for the participation of Montenegro in multi-beneficiary programmes such as Tempus (EUR 1 200 000), Nuclear Safety and Radiation Protection (indicative EUR 350 000) and the Civil Society Facility (EUR 1 800 000). Therefore, the assistance programmed under the 2011 Component I National Programme totalled EUR 26 493 599, divided as follows:

Table 2: Indicative financial allocations for the year under the National Programme, per priority axis and per project, in EUR million

Priority Sector	Projects	Budget
Sector 1: Justice and Home Affairs and Fundamental Rights		3.70
	01 - Strengthening justice reform	1.20
	02 - Identifying durable solutions for (I)DPs and residents of Konik camp	2.50
Sector 2: Public Administration Reform		2.50
	03 - Support to the Human Resources Management Authority	0.60
	04 - Support to Local Self-Government Reform II	1.90
Sector 3: Environment and Climate Change		7.60
	05 - Waste water treatment systems in Cetinje and Bijelo Polje	6.80
	06 - Developing sustainable energy use	0.80
Sector 4: Transport		2.80
	07 - Vessel Traffic Management Information System (VTMIS) and response to marine pollution incidents	2.80
Sector 5: Social Development		0.70

	08 - Introducing ECDL standards in the Educational system	0.70
Sector 6: Agriculture and Rural Development		2.50
	09 - Strengthening the Rural development programme and IPARD	1.80
	10 - Strengthening Veterinary Service	0.70
Supporting programmes and implementation of the acquis		
	11 - Development of Quality Infrastructure and Metrology (DQIM)	1.20
	12 - Strengthening State Aid management	0.50
	13 - Project Preparation Support for IPA Component III	2.30
	14 - Support for participation in Union programmes	0.52
	15 - Technical Assistance and Project Preparation Facility (TA/PPF)	1.66
TOTAL		26.50

2.2.2 Component II

The 2010-2011 Decisions implementing CBC programmes with 4 neighbour countries (Albania, Bosnia and Herzegovina, Croatia and Serbia) were adopted in 2010. In 2011 the new programme, the CBC Kosovo – Montenegro for the years 2011-2013 was adopted on 21 December 2011, with yearly allocation of EUR 600 000 for each side of the border.

This new cross-border cooperation provides Kosovo with an opportunity for economic and social development and reconciliation. The aim of IPA assistance under Component II is to develop local administrative and project management capacity in Kosovo's border regions and identify a pipeline of local development projects. The global objective of this programme is to improve the socio economic situation in the eligible area by fostering cooperation and joint initiatives between Montenegro and Kosovo in the following priority sectors: environmental protection and climate change, sustainable agriculture and forestry, and tourism in the mutual interest of Kosovo and Montenegro citizens.

In the course of 2011, all 2008 CBC programmes between Montenegro and neighbouring countries (4 programmes) were granted an extension of contracting deadline in order to allow using the whole allocation.

Montenegro also participated in transnational programmes under the European Cooperation Objective of the Structural Funds (i.e. ERDF-SEE & ERDF-MED) and the sole interregional programme (i.e. Adriatic) including regions of EU Member States.

3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2011

3.1 Success stories

Intelligence-led policing (IPA 2010 EUR 0.25 million)

The fight against organised crime is one of the key priorities for Montenegro in moving towards the EU. Within this context, the EU put into action a Twinning project implemented by the Austrian Criminal Intelligence Police to strengthen the institutional and operational capacity of the Montenegrin police. The objective of the project was to support the implementation of an Intelligence Led Policing System, a model of policing in which intelligence serves as a guide to operations, rather than the reverse. The impact has been substantial: the Montenegrin Police have strengthened their capacity to fight organised and serious crime; threat assessments, control strategies, pro-active investigations and the analysis and process of criminal intelligence data are all being used for this purpose; the police now have an Organised Crime Threat Assessment and control strategy as well as Organised Crime Mapping; it is now easier for the police to collect and process criminal intelligence data and to conduct pro-active investigations.

Strengthening the regulatory and supervisory capacity of the financial regulators (IPA 2008 EUR 1.2 million)

This 2 year Twinning project with partners of Bulgaria and Netherlands contributed substantially to the harmonisation of Montenegrin legislation with the EU *acquis* in the area of banking, securities, pension, insurance and anti-money laundering and terrorist financing (AML/CFT). It strengthened financial stability and cooperation between the beneficiary country institutions and enhanced their administrative capacity. The project results also represent an important step towards the preparation of the country for the negotiation process to EU accession. The main results include: eight new laws, including three adopted by the Parliament - the Law on Financial Stability Council, the Law on Take-over Bids and the Law on Investment Funds; an Action Plan for Basel II implementation; a new Capital Adequacy Decision; a framework for the implementation of Pillar 2 requirements of Basel II Accord; establishment of a Financial Stability Council and preparation of action plans for crisis management situations; gap analysis on the compliance of Montenegrin legislation with EU requirements as well as guidance papers for the transposition of all major directives in the area of securities and pensions. The direct beneficiaries of the project were the Central Bank of Montenegro (CBM), the Securities and Exchange Commission (SEC), the Insurance Supervision Agency (ISA) and the Ministry of Finance of Montenegro. Indirect beneficiaries

include citizens of Montenegro and all individuals and organisations having financial transactions with Montenegro.

Development of Quality Infrastructure in Montenegro (IPA 2007, EUR 2 million)

In the area of standardisation, this project resulted in a revised process of adoption of European standards involving public inquiry and the establishment of the first four Technical Committees. Around 7000 European standards were implemented. An information service on standards was harmonised with the requirements of Directives 98/34/EC and 98/48/EC in the standardisation area. The capacity for accreditation was significantly strengthened and a quality management system was introduced resulting in a positive audit and full membership in European Accreditation in November 2011. In the area of conformity assessment an inventory was established and the first conformity assessment bodies were trained to serve as Notified Bodies. This was followed by simulated accreditation assessments for notification purposes in selected Conformity Assessment Bodies. In the area of metrology, the project re-established an unbroken chain of metrological traceability in the fields of mass, length, pressure, temperature and electrical quantities. The project also developed the first six new approach directives.

3.2 Overview of the implementation status of the different instruments and components

During 2011 IPA was consolidated by additional contracts (EUR 29 million) and higher payments. By the end of the year 82% of all IPA funds available to Montenegro (IPA 2007-2010) were committed and more than 50% disbursed. All projects financed from instruments predating IPA had already been finalised by 2011. There are no backlogs in the implementation and by the end of 2011 more than 250 contracts were on-going for around EUR 130 million. The reason for the high number of contracts is that, due to the small size of the country and low absorption capacity of beneficiary institutions, the contracts need to remain fairly small.

The implementation of all these funds directly contributed to the recommendations by the Commission to open negotiations (ref).

While IPA component I showed high rates of implementation, both in terms of commitments and disbursements, IPA component II continued to suffer from slow procurement processes

As regards IPA Component II, Cross Border Cooperation, the second round of calls for proposals under the CBC programmes between Montenegro and Bosnia and Herzegovina, Croatia and Serbia, Bosnia and Herzegovina and Montenegro, Croatia and Montenegro and Serbia and Montenegro was launched from April to December 2011, while the evaluation of the second call for proposals for the programme with Albania was already completed by the end of 2011..

In every call of this second round, the number of applicants was greater than for the first one, which proves the grass-root interest in this type of instrument, its increasing popularity and a recognition that the programmes are being instrumental in fostering good neighbourly relations and contributing to stability. Finally, the CBC programme document of the joint programme with Kosovo was commonly submitted by the participating partners and adopted by the IPA Committee in October 2011, paving the way for the corresponding Commission Decision, the set-up of administrative structures and the likely launch of a call in 2012.

3.3 Sector I: Justice and Home Affairs and Fundamental Rights

The MIPD 2011-2013 for Montenegro envisages support to the independence, efficiency, effectiveness and accountability of the judiciary, including the penitentiary sector and the law-enforcement institutions, with a view to strengthen the fight against corruption and organised crime. This includes (a) the enhancement of cooperation and coordination, at domestic and international level; (b) reaching a de-politicised and merit-based appointments of the members of the judicial and prosecutorial councils and of state prosecutors as well as the reinforcement of the independence, autonomy, efficiency and accountability of judges and prosecutors; (c) the implementation of the government's anti-corruption strategy and action plan; (d) the establishment of a solid track record of proactive investigations, prosecutions and convictions in corruption and organised crime cases at all levels – which requires an increased cooperation with regional and EU partners; an efficient processing of criminal intelligence; and enhanced law enforcement capacities and coordination. In this framework, the following main results have been achieved during the implementation of the projects in the Justice and Home Affairs sector in Montenegro in 2011:

The project "Strengthening the Capacity of Police Administration (IPA 2009 EUR 2 million) has established a solid track record of proactive investigations, prosecutions and convictions. The track record on organised crime and corruption was established and is being consolidated. The Police enhanced its capacity to collect and process criminal intelligence data and to conduct pro-active investigations. An Organised Crime Threat Assessment (OCTA) and control strategy was prepared, which includes an Organised Crime mapping with a geographic information system and spatial crime analysis. The Police Anti-Drug Unit enhanced its administrative and institutional capacity (in the area of surveillance, controlled deliveries, collection and documentation of evidence, crime scene procedures) resulting in an improved investigation and prevention of drug trafficking.

In the fight against corruption, the capacity of the Montenegrin authorities responsible for corruption repressive measures was strengthened by the setting up of a Joint Investigative Team including police; customs, judges, prosecutors, Anti-Money Laundering Administration (see intelligence-led policing in section 3.1)

In the area of penitentiary reform, the project Support to Penitentiary Reform (IPA 2009 EUR 0.2 million) provided a comprehensive feasibility study, which helped the Montenegrin

Government to establish a probation system which is being consolidated. A comprehensive strategy and action plan for penitentiary matters was prepared and adopted and is being implemented. This resulted in the strengthening of the prison administration capacity, and in the improvement of prison conditions.

3.4 Sector II: Public Administration Reform

One of the objectives set in the MIPD 2011-2013 is to further support the country's efforts (centrally and locally) in its reform of the public administration: to enhance professionalism and de-politicisation of the administration; to improve the financial management systems including for decentralised management of EU funds; to strengthen control and supervision bodies (e.g. Court of Auditors, Ombudsman, etc.); to consolidate efforts in the statistics in line with EU requirements. The majority of projects on Public Administration Reform are at an early stage in Montenegro. However two projects implemented in 2011 which have had encouraging results in this sector are in the statistics and municipal development areas.

The two year project Assisting Montenegro in approximating EU standards in Statistics (IPA 2007, EUR 815,000) has been very successful in preparing the new Law on Statistics (adopted by the Parliament in March 2012) in establishing the first metadata in the Montenegrin Statistical Office (Monstat) and in introducing the concept for quality management and quality reporting. The project contributed to improving the system of National Accounts by focusing on improving the existing data and introducing new sources, and strengthening the links with business statistics. Pilot calculation of quarterly GDP was introduced. The project also improved the availability of business statistics - the Structural Business Statistics (SBS) and Short Term Statistics (STS) and the improved the Statistical Business Register. The project contributed to the introduction of the Production Index and value added method and review of the imputation system for SB Survey and method of implementation. The tools for the tourist survey were prepared and Household Business survey was enlarged to cover tourism. A separate spin-off project, funded with additional EU funds, resulted in the first tourism satellite accounts.

The project Municipal Development Grant Scheme (IPA 2008 and 2010 EUR 5.4 million) is a grant scheme addressing municipal infrastructure development needs. The scheme was successfully contracted and began implementation in 2011 when contracts were signed with 14 municipalities in Montenegro. The projects include investments in fire and rescue protection, road and parking construction, supply of equipment for waste management, cultural and touristic infrastructures and equipment. As these projects require important secondary procurement activities, the grantees are supported in the implementation of their project by EU funded technical assistance service contract. These calls for proposals were the first of their kind in Montenegro to directly address the investment needs of municipalities. At the same time, the projects are building the capacity of beneficiaries to manage EU grant contracts according to best practices and to deal with the future demands of the structural funds.

3.5 Sector III: Environment and climate change

As indicated in the MIPD 2011-2013, the National Strategy for Sustainable Development of Montenegro highlights the importance of developing infrastructure, including wastewater treatment, as a pre-condition of implementing its strategy. The recommendations of the MIPD state that “assistance to the environmental and climate change sector will look into the preservation of natural resources and environmental protection by providing improvements in the solid waste and waste water infrastructures”. In this framework, the project Upgrade of the sewage system in the municipality of Niksic, (IPA 2008 EUR 3.5 million), which began implementation in 2011 will fully correspond to these needs by providing an equipped and operational waste water treatment plant, including collector pipelines in this large municipality. The main purpose of the project is to improve the quality of Montenegro’s environmental wastewater infrastructure base, in particular targeting the protection of environmentally sensitive receiving waters such as Skadar Lake. Two thirds of the 20 km of sewage network has already been built. This is the first project in Montenegro where parallel funding, together with the European Investment Bank has taken place. Involvement of the EU and other financial stakeholders, and the fact that these types of projects are of national interest, ensures future sustainability and continuing benefits to both citizens of Niksic and the environment of Montenegro.

The MIPD also states "The Opinion concluded that Montenegro will have to make considerable and sustained efforts to align with and especially to implement and enforce the environmental and climate *acquis*". Activities of the project Technical Assistance for implementation of Energy Community Treaty (IPA 2007 EUR 1.5 million) are complementary to the efforts in climate mitigation since a significant part of the project is related to energy efficiency. This project has helped to develop and implement energy sector policies that will ensure the implementation of Montenegro's commitments under the Energy Community Treaty, including the implementation of the Regional Energy Market. The key achievements in 2011 were adoption of Grid-Code, Electricity market rules, Interim methodology for final consumers and Interim methodologies for use of transmission and distribution systems. The main beneficiaries were the Ministry of Economic Development and the Energy Regulatory Agency. It is important to mention synergy and complementarities with the World Bank funded project "Energy Efficiency in Montenegro" which is focused on investments in energy efficiency. The main results of this project will enable proper management and operation of electricity networks; catalyse investments in energy efficiency, renewable energy sources and cogeneration, as well as ensuring better regulatory quality in line with requirements of Energy Community Treaty.

3.6 Sector IV: Transport

MIPD 2011-2013 states that “The opinion mentions the need to strengthen administrative and implementation capacities in the transport sector. For the course of this MIPD, IPA will contribute to investments in the maritime and railway sectors.” In this framework, a

substantial investment into the railway sector in Montenegro is ongoing through the following projects:

The foundation for any improvements in the railway sector has been provided by developing the main design for the rehabilitation of the entire railway line from the Port of Bar (Montenegrin coast) until the border with Serbia in Vrbnica. This has been achieved through the project Development of the Transport Sector - Preparation of Main Design for Railway Infrastructure Investment (IPA 2007, EUR 1 million). The finalization of this large project enabled the Montenegrin Railway Infrastructure Company to start planning the rehabilitation of different parts of the railway line and other very expensive infrastructure objects such as bridges, tunnels and stations. It also provided a documentary basis for financial applications to several International Financial Institutions. The project approach through a chain of parallel actions was particularly successful - firstly, to harmonise laws and regulations, secondly to enable the institutional bodies to plan and finally, to provide funds for practical and visible changes.

In 2011 a section of almost 10 km of railway line between the capitol of Montenegro, Podgorica, and the capital of Serbia, Belgrade, was systematically rehabilitated through the project Major rehabilitation of the main rail line Bar – Vrbnica, Section Kolasin – Trabaljevo (IPA 2009 EUR 5 million). The technical improvement of the railway track and overhead line provided a major upgrade to the safety and comfort of rail transport in the country. Until the upgrade, trains were forced for safety reasons to reduce the speed down to 40 km/h due to the state of the track. The difficult terrain around the entire section, which contains eight bridges and a long tunnel, meant the implementation of the works required special logistical efforts and coordination with on-going rail traffic. The expected result, increased speed up to 80 km/h and improved safety for passengers, has been fully achieved.

In terms of strengthening implementation capacities in the transport sector, two projects have had encouraging results. The project Support to rural roads in northern part of Montenegro - Supply of road maintenance machinery (IPA 2009 EUR 1.2 million) improved local governments' capabilities in 12 municipalities in North Montenegro¹⁶ to maintain the rural road network in a sustainable and cost effective manner that will support the agriculture sector and wider socio-economic development. Finding sustainable solutions for rural roads maintenance is a crucial factor in terms of the access of rural communities to basic services such as education, primary health care, water supply, local markets and economic opportunities. Based on common EU practice, the Ministry of Agriculture and Rural Development identified four machinery rings as the most appropriate solution to maximise available resources to maintain the existing rural road network in North Montenegro. In this manner municipalities have access to machinery in partnership. The project strengthened the capacity of the machinery rings through the delivery of specialized machines. The main beneficiary was the Ministry of Agriculture and Rural Development.

¹⁶Andrijevića; Bijelo Polje; Žabljak; Berane; Kolašin; Mojkovac; Nikšić; Plav; Plužine; Pljevlja; Rožaje; and Šavnik

A successful project which has contributed to the implementation of Montenegro's Strategy for Integrated Border Management by improving the efficiency, effectiveness and safety of its border control and processing procedures is Construction works in border crossing points Dobrakovo and Dracenovac (IPA 2008 EUR 2.37 million). Rehabilitation of the physical border infrastructure is key not only to integrating Montenegro into regional trade and tourism networks but also to improve traffic flows and border safety measures in line with EU standards. Border crossing point "Dobrakovo" is strategically important as it processes 80% of all international freight and passenger movements between Port of Bar and Belgrade, while "Dracenovac" is located on the second busiest road transport route between Serbia and Montenegro. The completion in October 2011 of the construction works has had a significant impact on passengers and goods transport by considerably reducing the time taken to perform inspections of vehicles by security, customs and veterinary/phytosanitary officers. The main beneficiary was the Ministry of Internal Affairs.

3.7 Sector V: Social development

The MIPD 2011-2013 states "The objective of IPA interventions is to improve social inclusion in general, to improve social services as well as education and high quality vocational education and training (VET) system, and to improve access of unemployed people to the labour market." Several IPA projects have contributed to these objectives during 2011.

Some of the key achievements of the project Labour Market Reform and Workforce Development (IPA 2008 EUR 1.8 million) included the development of a national Employment and Human Resources Development Strategy with the corresponding Action Plan, a web based Information Platform, Skills Needs Surveys in the sectors of tourism, construction and wood processing and the development of Curriculum Modules within these three vocational training areas. The project addressed factors creating structural unemployment, affecting its human resources and the widening disparities between municipalities. Active labour measures included a call for proposals/grant scheme (EUR 470,000) promoting local employment projects and the opening of five Career Guidance Centres, including staff training of the staff and development of guidelines on quality guidance.

The project National Qualification Framework (NQF) and Quality assurance (QA) in Education (IPA 2007 EUR 1.5 million) has made substantial progress in developing a more coherent EU aligned policy in lifelong learning, in line with the Lisbon agenda, amongst policy makers, practitioners, employers and civil servants in Montenegro. The 21 month project which ended in 2011 achieved: extensive capacity building of quality framework staff and bodies; a strategy for development of the NQF; development of an NQF info management system; clarification of occupations, qualifications, formal and non-formal learning; QA in education planning and strategy including assistance to reforming higher education planning and budgeting in line with the Bologna process; creation of a university information and monitoring system.

In terms of social inclusion, the project Social Welfare and Child Care System Reform: Enhancing Social Inclusion (IPA 2010 EUR 2.9 million) is a three year programme with the Ministry of Labour and Social Welfare, the Ministry of Education and Sport, UNDP and UNICEF which began implementation in January 2011. Results are still at an early stage but in 2011: the Law on Social and Child Protection was revised to bring it into line with international standards; a Strategy on Fostering was developed; workshops were held on standards in fostering, day care centres and shelters for child victims of violence as part of the process of developing national standards and guidelines for child protection; a child protection database was developed to monitor and process data and information on vulnerable children; technical expertise was brought in to prepare and advise on de-institutionalisation for children residing in homes; 18 grants were awarded to organizations and institutions at municipal level to help build capacity in the development of community based social services.

3.8 Sector VI: Agriculture and rural development

The need outlined in the MIPD 2011-2013 to support the Ministry of Agriculture and related services/institutions to prepare for implementation of the rural development policies (IPARD) was addressed through a 2 year Twinning project Support to Establish an IPA Rural Development Programming and Implementation System (IPA 2008 EUR 1.5 million). This project tackled the *acquis*-related reforms prioritised in the 2009 and 2010 Progress Reports notably with regards to the applicable binding rules necessary to prepare for the future functioning of the common agricultural policy (CAP) and it contributed to establishing the institutional framework, the preparation of operational documentation, as well as training the available staff. The project has notably developed strong synergies with other stakeholders and aid interventions. Through cooperation with the World Bank MIDAS project, national grant schemes financed under this WB support were implemented as "IPARD-like" measures. Such synergies provided concrete training activities to the newly developed institutional capacities, and shall contribute to the impact and sustainability of the results of the Twinning project. A follow up project funded under IPA2011 and to be implemented in 2012-2014 will support finalising the accreditation package for component V to be submitted to the Commission and strengthen advisory and extension services capacities.

In terms of the MIPD 2011-2013 objective to support the on-going development of a sustainable agriculture sector ...and to assist alignment to the common agricultural policy and EU standards, several IPA projects are noteworthy.

Within the project Control and eradication of rabies and classical swine fever (IPA 2008 EUR 1.36 million) the first oral rabies vaccination campaign was successfully carried out in autumn 2011. A total of 275,000 vaccine baits were distributed by aircraft at a density of 20 baits per square km on the whole territory of Montenegro (except water surfaces and urban areas). The dropping of the vaccine baits was recorded using special GPS based software which allowed later analysis of the effectiveness of the bait distribution. The aerial vaccination campaign was supported by an awareness campaign with the slogan "Together

against rabies" anticipating the involvement of the different institutions and stakeholders involved. Further vaccination campaigns will now be carried out until the disease is eradicated. This activity is contributing in achievement of the overall objective of the project which is to improve animal health in Montenegro thus ensuring consumers' safety and public health, development of agriculture and improved quality of life of agricultural producers. Given the trans-boundary character of this disease, rabies vaccination in Montenegro is a part of the larger eradication effort that is being carried out in parallel in other Western Balkan countries through EU support.

Another project in this sector, Animal identification and registration, Phase II (IPA 2007 EUR 1.2 million) has been successful in: improving implementation of the Law on Identification and Registration of Animals and its amendments; strengthening the Identification System for cattle, sheep and goats; introducing a Veterinary Information System (VIS) linking disease control measures to the animal identification system; implementing the first campaign for sheep and goats identification and registration in Montenegro; raising public awareness on the Veterinary Information System and ear tagging of small ruminant by implemented publicity campaign (by TV, radio, billboards, posters, leaflets).

Through the project Development of Food Safety Services (IPA 2008 EUR 2.1 million) laboratory equipment for use in the food safety system was successfully delivered, installed and being used effectively in the laboratories involved.

3.9 Implement effectively the *acquis*

MIPD 2011-2013 states "A priority for IPA is to support Montenegro's efforts through significant strengthening of administrative and implementation capacities in the areas of the *acquis*." In this framework the following projects have been particularly successful:

The project Accession to Internal Market (AIM) – Components I and II (IPA 2009, EUR 800,000) covered four sectors - competition, state aid, and market surveillance and competition protection. The project contributed to the preparation of six strategic and programme documents, trained more than 220 people, and initiated 15 pilot cases. Three key new laws were drafted and are being adopted – the Law on Competition protection, on Consumer protection (transposing nine EU directives) and on Consumer credits with the related bylaws. In the area of Competition policy, the enforcement record of Montenegro was substantially improved and the first cases of abuse of dominant position were solved according to the current legislation. In the area of State Aid, the project resulted in the preparation of a Regional Map, the elaboration of an Adjustment programme, the establishment of a State Aid inventory and the introduction of the annual reporting on State Aid in Montenegro, along with strengthening the capacity for managing specific cases of state aid that were of significant public importance. In the area of market surveillance and consumer protection, the project helped the establishment of a "national" RAPEX system,

strengthening the coordination between the market surveillance bodies and improving the methodology for market surveillance, which resulted in 21,000 dangerous goods being withdrawn from the market.

The purpose of the Twinning project Support to the Customs Administration (IPA 2008 EUR 1 million) was to modernise the Customs System in full compliance with EU standards in support of trade facilitation. The Ministry of Finance drafted a new Customs Law in line with the new modernised Community Customs Code and implementation began in January 2011. A detailed Business Change Management Plan was elaborated and a Strategic Development Unit has been established in order to coordinate, communicate, monitor, review and report on its implementation. An internal affairs database for professional standards has been developed, an audit management system has been introduced and training programmes have been developed and implemented in order to familiarise auditors with new systems, procedures, attitudes, methodologies and to upgrade their skills and experience for better performance and higher standards of customs auditing. The project has resulted in further aligning customs legislation and procedures with the EU *acquis* which is one of the EU Partnership priorities for Montenegro. Integrated Border Management and Enforcement have also been enhanced through establishing improved communication systems at national and international level. Cooperation and networking have been enhanced between customs administrations, other relevant border agencies, neighbouring countries and the EU Member States Workflow and procedures at Border Crossing Points have been implemented and updated.

The two-year Twinning project strengthening the regulatory and supervisory capacity of the financial regulators, IPA 2008 EUR 1.2 million, has substantially contributed to the harmonization of Montenegrin legislation with the EU *acquis* in the area of banking, securities, pension, insurance and anti-money laundering and terrorist financing (see section 3.1 for details).

3.10 Cross-border cooperation

The year 2011 has been the first in which IPA Component II has been in full swing in Montenegro. All CBC programmes, including transnational programmes under the European Cooperation Objective of the Structural Funds (i.e. ERDF-SEE & ERDF-MED) and the sole interregional programme (i.e. Adriatic), are now well established and running smoothly. For the first time, the population of the border municipalities and the citizens of Montenegro have had the advantage of benefiting from concrete field actions promoting the economic and social development of the border areas or sustaining a large variety of joint cultural undertakings by local actors in these areas. All CBC programmes have also benefitted from IPA assistance providing coverage for the preparatory, management, monitoring, evaluation, and information and control activities related to the implementation of the programmes, together with activities to reinforce the administrative capacity of the structures in charge of that implementation.

In 2011, the project two languages - One book (IPA 2007 EUR 39,800) was a particular success. This cross border project between Montenegro and Albania was implemented by an NGO from Podgorica and the University of Shkodra under a priority measure targeting joint initiatives of local groups in the field of culture. Activities included: the establishment of a bilingual website; an awareness raising campaign; the organisation of public debates and a conference in both countries with the famous writer and Nobel Prize nominee Ismail Kadare; the publication and dissemination of a bilingual book in two volumes with works in drama, prose and poetry by contemporary authors from the cross-border region. The books were distributed free of charge in public libraries and the website¹⁷, which will be maintained after the project, offers a comprehensive bilingual database with information on local institutions of culture and education, publishers and artists. Both the Albanian minority in Podgorica and citizens, state institutions and municipalities in the two countries showed significant interest in how the two cultures were related by common historical events, despite the different languages. Cultural cooperation proved to be an effective way of ensuring familiarity and communication, whilst stimulating socio-economic exchanges in the Albanian-Montenegrin cross-border area.

4. IMPLEMENTATION AND MONITORING MODALITIES AND STRUCTURES

In 2011 the national authorities of Montenegro progressed substantially with the preparation for conferral of management for IPA components I, II, III and IV, while starting also work for IPA Component V.

In 2011 the preparations for decentralised management advanced significantly for all components. The legislative framework was finalised with the exception of the signature of the implementing and operational agreements for IPA Components Iib, III and IV. All bodies and authorities involved in decentralised management were designated and the respective appointments were finalised with the exception of Head of Operating Structure for Component II and the Head of the CBC Body. For both positions personal appointments exist but are still not integrated in the organisation chart of the Ministry of Foreign Affairs and European Integration.

A High-level Working Group was established in the last quarter of 2011. It is headed by the CAO and meets twice a month with a clear result of speeding up the preparations for decentralised management. The Manuals of Procedures for the first two components were prepared for Components III and IV and advanced drafts of the Manual of Procedures have been completed. IPA Component I provided support for decentralised management, provided through 6 projects, amounts so far to EUR 4.7 million for all components.

As regards the Monitoring of the Implementation of IPA funds, an IPA Monitoring Committee took place in June 2011 with a follow up meeting in November 2011.

¹⁷(<http://www.dvajezika-jednknjiga.me/>, <http://www.dygiuhe-njeliber.com/>)

Following this meeting the Commission indicated that as regards ownership, there is a need for a more systematic delegated approach and delegated power in all ministries has been highlighted by the Commission and the NIPAC. Furthermore, the Commission stressed the importance of strategic planning, in order to better meet the pre-conditions (delivery of permits, etc.) necessary before project implementation can start and in order to prevent delays.

In terms of monitoring, 16 projects with a value of EUR 22.3 million (22% of the overall portfolio) were subject to external monitoring. All projects and contracts were monitored throughout the year and all major projects have quarterly steering committees. In addition, on-the-spot checks are systematically carried out for works and supply contracts. Lastly, as a recent Court of Auditors report pointed out a lack of monitoring of many small grants, the Delegation contracted an audit company to monitor the majority of small grants from the year 2012.

PART II - FINANCIAL DATA

On implementation of assistance at 31 December 2011

IPA Montenegro

Montenegro	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	25,254,128	24,971,292	98.88%	22,350,434	88.50%
IPA 2008	28,847,296	28,320,804	98.17%	20,768,014	71.99%
IPA 2009	31,744,421	22,487,156	70.84%	15,064,469	47.46%
IPA 2010	30,938,823	17,225,840	55.68%	4,804,421	15.53%
IPA 2011	29,693,599	0	0.00%	0	0.00%
Total	146,478,267	93,005,092	63.49%	62,987,338	43.00%

IPA – Component I National Programme Montenegro

Montenegro	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	23,870,504	23,639,048	99.03%	21,350,218	89.44%
IPA 2008	26,800,000	26,683,713	99.57%	19,917,200	74.32%
IPA 2009	28,432,179	22,335,932	78.56%	14,986,732	52.71%
IPA 2010	28,638,823	17,175,840	59.97%	4,764,421	16.64%
IPA 2011	26,493,599	0	0.00%	0	0.00%
Total	134,235,105	89,834,532	66.92%	61,018,571	45.46%

IPA – Component II (CBC) Programme Montenegro

Montenegro	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	1,383,624	1,332,244	96.29%	1,000,215	72.29%

IPA 2008	2,047,296	1,637,091	79.96%	850,814	41.56%
IPA 2009	3,312,242	151,224	4.57%	77,737	2.35%
IPA 2010	2,300,000	50,000	2.17%	40,000	1.74%
IPA 2011	2,900,000	0	0.00%	0	0.00%
Total	11,943,162	3,170,559	26.55%	1,968,767	16.48%

ALBANIA

1. SUMMARY

EU financial assistance to **Albania** has played an important role during 2011 in further supporting the country on its way towards European integration. On-going projects in the areas of justice and home affairs, public administration reform and the fight against corruption have further advanced and have shown concrete results. This support has been important for Albania in order to fulfil relevant key priorities listed in the 2010 Commission Opinion on Albania's application for membership of the European Union.

There has been overall progress in infrastructure projects, in particular in the transport sector (construction of rural roads), while progress in the water sector (construction of water treatment plants) has been slower partly due to unresolved property right issues. The Albanian authorities also need to focus on long-term maintenance of infrastructure projects.

Many technical assistance projects continued to support different line Ministries and state institutions, with the result that many relevant pieces of legislation for the *acquis* alignment have been prepared. However, in 2011 the political stalemate between the ruling coalition and the opposition, which was overcome by a political agreement in November, prevented substantial progress on the adoption of key legislation.

The share of funds contracted under the IPA programmes 2007, 2008, 2009 and 2010 is very high, continuing the positive trend that began in 2009.

Concerning the preparation for the decentralised management of IPA funds, further progress has been made. Under IPA Component I, the key structures and systems have been put in place and Albania submitted its application for the conferral of management in the beginning of 2012. European Commission auditors are currently analysing the application. Work has also continued on IPA Components II-V, with Component V more advanced than the others.

2011 also saw further progress towards a sector-based programming. Some questions remain open regarding its practical implementation, notably the need for the Albanian Government to develop a realistic medium-term budget perspective for the sector strategies in place.

2. STRATEGIC PLANNING AND PROGRAMMING

2.1 Multi-annual Indicative Planning Document

The current Multi-annual Indicative Planning Document (MIPD) for Albania was adopted by the European Commission on 8 July 2011. The strategic priorities identified in the 2011-2013

MIPD are supporting the strengthening of the rule of law, improving the capacity and efficiency of the public administration, and supporting social and economic development as well as the *acquis* alignment. The following six sectors of interventions have been identified: i) justice and home affairs, ii) public administration reform, iii) transport, iv) environment and climate change, v) social development, vi) agriculture and rural development.

Overall ownership on the side of the government to move towards a more sector approach has further improved during 2011, in particular with a view to coordination and monitoring mechanisms at the central level. At the same time, there are shortcomings regarding the administrative capacity in some line Ministries as a key pre-condition to implement sector policy strategies.

The IPA mid-term evaluation, conducted during 2010, recommended the concentration on fewer specific priorities in line with the beneficiaries' strategic framework reform. Additionally, the report also revealed that some of the prerequisites for a sector-based approach do exist in Albania. However, it was also noted that at present the administrative capacity to adopt a sector-based approach is in many line Ministries relatively low. Therefore, well-targeted assistance will have to be provided and continued efforts will have to be undertaken to complete on-going reforms (functional strategies and monitoring system). These findings have been fully taken into account in preparing the MIPD 2011-2013 as the document was fully based on the national strategic framework and put future IPA intervention into perspective with on-going donor involvement.

2.2 Programming

2.2.1 Component I

The programming of IPA 2011 for Albania has proven particularly effective, bringing to the unprecedented situation of the signature of the Financing Agreement between Commission and the country government and the following starting of the contracting within the programme year.

The IPA 2011 programme focused in the different sectors to a large extent on investments and to a smaller extent on institution building projects. This was mostly due to the fact that a significant number of institution building projects, in particular in the area of rule of law and public administration reform from earlier programmes were already under implementation and/or were about to start soon.

Overall, the IPA 2011 programme has as always been developed in close cooperation and consultation with national authorities. However, the programming exercise has shown some shortcomings, compared to the previous year, due to the administrative slowdown in the course and follow-up of the local elections in May 2011. The Member States, other donors as

well as civil society have been associated in the process as much as possible. Coordination meetings with international financial institutions as well as with EU and non-EU donors have been organised on a regular basis. These primarily focused on strategic orientations, the regional dimension and donor coordination of IPA planning and programming

Under the current institutional and legal circumstances, the different methods of delivering EU financial assistance were adequate. An intelligent mix out of centralised, indirect centralised in cooperation with Member States Agencies and joint management with International Organisations, as in recent years, is currently the best way to deliver IPA funds for Albania. There is for the near future no possibility to use other aid delivery modes, such as budget support, because the overall conditions, as laid down in the IPA Regulation, are not yet in place in Albania.

The programming exercise for IPA 2012 started already early during the reporting year, based on the six sectors of the MIPD 2011-2013. Lessons learned, in particular regarding the maturity, timely planning, better links between EU assistance and sector strategies as well as sustainability have been taken into account during the initial programming of IPA 2012. Compared to the IPA programmes 2010 and 2011, which saw a high number of infrastructure projects, the 2012 programme pursues a more balanced approach between capacity building and investment. Some capacity building projects are clearly linked to give support in further developing the sector or sub-sector approach (e.g. technical assistance to justice sector, law enforcement sector or transport sector).

Table 1: Indicative financial allocations for the year 2011 per component, in million EUR

ALBANIA	2011
I. Transition Assistance and Institution Building	84.30
Of which:	
National Programme	82.00
Tempus Programme*	2.00
Nuclear Safety and Radiation Protection*	0.30
II. Cross-Border Cooperation	10.48 ¹⁸
Of which:	
CBC Montenegro-Albania	0.85

¹⁸The difference with Table 1 is explained by the allocation for participation in ERDF transnational programmes (EUR 0.51 million)

CBC the former Yugoslav republic of Macedonia-Albania	0.85
CBC Kosovo-Albania	0.60
CBC Greece-Albania	1.66
CBC IPA Adriatic**	6.01
Albania's participation in ERDF transnational programmes "South East Europe" and "Mediterranean"***	0.51
TOTAL	94.68

* The Tempus Programme is coordinated and implemented under the relevant IPA Multi-beneficiary programme

** Management of the allocations for these programmes was cross-delegated to the DG Regional Policy (REGIO)

Table 2: Indicative financial allocations for the year 2010 under the National Programme, per priority axis and per project, in EUR million

Priority Axis/Projects	Budget
Political Criteria	23.00
Construction of a new pre-detention centre and prison in Shkodra	18.50
Support to the Albanian Customs Administration	3.00
Supporting Social Inclusion of Roma and Egyptian communities	1.50
Economic Criteria	48.50
Construction of Vlora Bypass	19.36
Rehabilitation of Vocational Education and Training (VET) schools in Leyha, Fier and Cerrik	2.20
Support to Agriculture and Rural Development	10.00
Improvement of rural roads in Albania	14.50
Support for participation to Union Programmes	2.44
Ability to assume the obligations of membership	10.50
Construction of Sewerage System and Waste Water Treatment Plant in	10.50

	Velipoja area Phase III	
TOTAL		82.00

2.2.2 Component II

Albania is participating in three bilateral Cross-border Co-operation (CBC) Programmes with other EU accession countries (Montenegro and the former Yugoslav Republic of Macedonia since 2007 and Kosovo since 2010) and in one bilateral CBC Programme with an EU Member State (Greece since 2007).

As set out in the 2011-13 MIPD for IPA Component II - Cross-border Co-operation, these four CBC Programmes aim at (i) supporting economic, social and territorial cooperation in border areas, (ii) addressing common challenges in fields such as environment, natural and cultural heritage, public health, prevention of and fight against organised crime, (iii) ensuring efficient and secure borders, (iv) promoting joint small scale local actions ("people-to-people") and (v) supporting networks, accessibility and emergency preparedness.

The three CBC Programmes with other EU candidates or potential candidates are mostly focused on specific measures to promote economic development with an emphasis on tourism, to protect environment and to enhance social cohesion through "people-to-people" actions. The CBC Programme with Greece provides measures to promote entrepreneurship, to foster sustainable tourism, to facilitate border accessibility through small scale infrastructure, as well as to protect the environmental and cultural heritage along the border area.

In 2011 these four CBC Programmes have been revised in order to include the 2012-13 appropriations in line with the updated financial plan set out in the 2011-13 MIPD for IPA Component II - Cross-border Co-operation. The objectives, priority axes and measures of the four multi-annual programmes have remained unchanged.

In the frame of the European Territorial Co-operation objective of the Structural Funds 2007-2013, Albania is also part of the ERDF transnational programme "South-East Europe" (SEE) since 2007 and of the ERDF transnational programme "Mediterranean" (MED) since 2009. IPA funds from 2011 were integrated in the SEE and MED programmes. They are managed by the Commission's Directorate-General for Regional Policy, which is in charge of the programming of both ERDF and IPA funds within these programmes. The involvement of Albania in these two programmes reflects the Commission's intention to promote the inclusion of Albanian applicants (e.g. regional and local institutions, civil society organizations, universities, etc.) in joint transnational co-operation activities with partners from EU Member States. This participation will also facilitate the country's learning process regarding European territorial co-operation programmes' rules and procedures under EU Structural Funds.

Since 2007 Albania is also member of the IPA Adriatic cross-border cooperation programme, whose global objective is to strengthen sustainable development across the Adriatic region. Therefore, Albanian applicants may also experience joint transnational co-operation activities with partners of this specific region.

2.2.3 Component III, IV and V

Albania has still no access to these IPA components, but the preparation for decentralised management of IPA funds of the corresponding nature is already underway, so to prepare the administrative structures and programmes for the future. This preparation has shown to be a challenging administrative capacity-building exercise for the Albanian government on the road towards EU integration and has become one of its main priorities during the year 2011.

2011 the draft Strategic Coherence Framework has been provisionally finalized and the Operational Programmes have been further elaborated. However, due to the open question of candidate status and the limited time, which will be available under the current financial perspective, it is very unlikely that these documents can be implemented before 2014.

On Component V (Rural development), Albania has continued to adapt already existing structures in order to set up the Managing Agency and the Paying Agency for the Instrument for Pre-Accession Assistance for Rural Development (IPARD). The draft IPARD programme has been prepared by the Albanian side on the basis of sectorial analyses of priority sectors in agriculture, aiming at identifying the current situation in the milk and dairy products sector, the meat sectors, the fruit and vegetables sector. An IPA 2011 project has been foreseen to launch a pilot project to introduce "IPARD like" measures, in order to establish a grant scheme for farmers and make use of the already existing structures in accordance with IPARD rules. For Component V, the establishment of a rural cadastre and farm remained a crucial and challenging element for defining the scope of future rural beneficiaries.

3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2011

3.1 Success stories

3.1.1 Reaction to the incident in Gërdec: roads rehabilitated and a new school

On 15 March 2008, in the depot for dismantling munitions in the village of Gërdec in the Municipality of Vora (14 kilometres from Tirana), two severe explosions created a huge crater with a hit wave that shocked the entire surrounding area. The powerful explosion in a populated area caused human losses, severe damages to the environment and destruction of houses and businesses.

The European Commission took the lead on the Gërdec reconstruction providing the support for revitalization of the area in the fields of infrastructure, education and environment. The project aimed at improving the living conditions and creating favourable conditions for starting the normal social-economic life in the area affected by the incident of Gërdec.

Out of an overall EU contribution of EUR 3.12 million, 3.5 km of roads have been reconstructed in the Municipality of Vora and a new elementary school with sport facilities has been constructed in the village of Marqinet, close to the area of the incident.

Roads are completed with sidewalks, street lights and a proper drainage system, improving the environment and safety in the area. Moreover, it contributed on enhancing the development of local businesses.

The new school has a capacity for 500 pupils. The sport facilities comprise an indoor gymnasium and a football field, as recreational areas for the entire community. These modern premises have been designed and constructed taking into consideration European standards and building codes: access to people with disabilities, adequate fire protection measures, energy efficiency, etc.

The living conditions of the affected area have drastically improved as a result of this intervention. A final aspect to underline is the high level of commitment and involvement showed by the Albanian counterparts - Vora municipality and relevant line ministries - during the implementation of the project, contributing to a successful completion in 2011 as per schedule.

3.1.2 Data Protection Commissioner Office (DPC)

Data protection, in particular regarding private data, is an important right for the socio-economic development of a society. The IPA 2009 project "Strengthening of the Data Protection Commissioner office (DPC) for alignment with EU standards" (EUR 0.6 million), has produced important results during the year 2011. The Technical Assistance support strengthened the enforcement of Data Protection related legislation in line with European standards and reinforced the administrative capacity of the DPC. The Technical Assistance has also assisted in the development of internal procedures concerning the execution of the DPC competences. Finally, legislative packages related to other sectors have been elaborated, for example in the area of Police and Civil Registry as well as in the health and banking sectors.

3.2 Overview of the implementation status of the different instruments and components

The implementation of pre-IPA instruments in 2011 was almost completed with the exception of CARDS 2004 (committed to 97%), CARDS 2005 and 2006 (both committed to 99%).

2011 has been the best year to date regarding IPA implementation, as regards commitments and disbursements.

The EU-Delegation contracted a total amount of EUR 100.38 million.

The payment of EUR 64.42 million exceeded the performance in 2010 where EUR 56.38 million were paid. As mentioned before, 2011 saw for the first time a contract signed under IPA 2011 in the same year as the financing decision was adopted.

3.3 Sector I: Public Administration Reform

In the sector of public administration reform the following priorities for IPA support over the period covered by the 2011-13 MIPD have been identified: (i) completing essential steps in public administration reform with a view to enhancing professionalism and de-politicisation of public administration and to strengthening a transparent, merit-based approach to appointments and promotions and (ii) improving coordination of the economic and fiscal policies to assist in the stabilisation of the macroeconomic environment and ensure the sustainability of public expenditure, while strengthening the capacity of institutions providing statistical data.

During 2011, the reform of public administration in Albania was guided in particular by the key priorities related to this sector. The Department of Public Administration continued to receive EC support in order to increase its capacities and with a view to ensuring the enforcement of the civil service law. The necessary amendments to this law were unfortunately blocked in the Parliament due to the lack of the 3/5 majority. As regards public financial management, positive results have been achieved in relation to the effectiveness, efficiency and transparency of the public procurement, public actions and concessions systems in Albania (IPA 2008 project "Support to Public Procurement").

Two Twinning projects financed from IPA 2008 regarding the improvement of customs procedures and the support to the competition authority were successfully concluded throughout 2011.

In the difficult political context of 2011, a sensitive Twinning project to support the Parliament has started, contributing to operative of this institution on the basis of a constructive and sustained political dialogue.

Four Twinning projects started practical implementation during 2011 ("Strengthening the Assembly of Albania", "Support to the Albanian Penitentiary Reform", "Enhancement of the operational and logistical capacities of the Directorate of Witness and Special Persons Protection" and "Support to Anti-Money Laundering and Financial Crimes Investigations Structures").

SIGMA continued to support during 2011 Albania in the area of public administration reform. In particular SIGMA provided general support to the Department of Public Administration in

developing a new civil service system. SIGMA also provided support to the Ministry of Justice in drafting regulations on administration simplification tools. In the area of financial control and external audit, SIGMA helped the Ministry of Finance on several levels. Finally, SIGMA: provided assistance in the area of public procurement and concessions, e.g. with the establishment of a new review body (Public Procurement Commission).

TAIEX implemented 38 national events and 66 multi-country events (workshops, expert missions, study visits).

In 2011, Albania participated in the following EU programmes: 7th Research Framework Programme, Competition and Innovation Framework Programme (CIP), Europe for Citizens. Furthermore, the beneficiary signed an MoU enabling it to participate in the "Culture" Union Programmes.

3.4 Sector II: Justice, Home Affairs and Fundamental Rights

The overall objective identified in the 2011-13 MIPD is to strengthen the independence, transparency and efficiency of the judiciary and to enhance the rule of law. Therefore, the financial assistance provided via the 2011 National Programme for Albania, as well as through previous envelopes, aimed at (i) strengthening the professionalism of judges and prosecutors, (ii) increasing the level of execution of court decisions, (iii) improving the infrastructure in the judicial sector, i.e. the courts, prison and pre-detention systems and (iv) reinforcing the capacity of the law-enforcement bodies and coordination between prosecutors and state police. In addition, several on-going projects include the fight against corruption as a cross cutting area of intervention, since the 2010 Commission Opinion considers corruption as a key challenge for the rule of law in Albania.

The "EURALIUS" (EUR 3.3 million) assistance mission first of all provided support for the definition of the national strategy for the justice sector, which has been approved in July 2011. Under the leadership of the Albanian Government, all institutional stakeholders, i.e. the Ministry of Justice, Courts and the General Prosecutor Office, have been involved in this exercise and other donors active in this area have been consulted. EURALIUS experts also focused on (i) the development a more efficient and transparent administration of the courts and (ii) the increase of the capacity of the School of Magistrates in terms of judges training. On the other hand, the "PAMECA" assistance mission provided support to the Albanian State Police in areas of money laundering, drug trafficking, fight against organised crime and integrated border management.

New pre-trial detention centres with more than 100 places capacity have been built in Elbasan, Fier and Berat and new prison in Fier with 600 places capacity is under construction. Through the twining project "Support to the Albanian Penitentiary Reform" alternative measures to detention have been implemented in order to ease overcrowding in prisons. This package of assistance is going to help Albania fulfil its engagement to improve treatment of detainees, as set out in the 2010 Commission Opinion.

3.5 Sector III: Transport

Transport is identified as a priority sector under the 2011-13 MIPD since an increase in the stock of infrastructures has multiplier effects on the overall economy of the country, increasing access to national and regional markets for the Albanian businesses. The EC has been aligning its interventions to the strategic direction of the Albanian Government to boost mobility first of all via road networks. However, technical assistance has been provided to the Ministry of Transport to plan and design infrastructure projects in the air, rail, maritime and combined traffics, where substantial work remains to be done. In addition, IPA assistance has focused on the approximation of the Albanian legislative framework with the EU *acquis*.

Since 2008, a significant amount of IPA funds was foreseen each year for the construction and rehabilitation of secondary and rural roads in order to contribute to the economic development and poverty alleviation of rural areas in Albania (overall about EUR 50 million). This has been done in a context of full donor coordination, where IPA funds, combined with loans from European Financial Institutions (EBRD and CoEDB), have been able to move a substantial amount of financial resources towards the same objective to improve mobility across rural areas. In addition, the EU funded a number of feasibility studies for road transport infrastructures. With subsequent envelopes, the EU is funding fund the construction works, as in the case of the Vlora Bypass (EUR 19,365,000 under IPA 2011).

The rehabilitation project of the Port of Shengjin started in July 2011. The latter includes the construction of a new quay and a new paved operating yard, with necessary services including water, electricity, lighting and drainage and storm bollards. As regards EU *acquis* compliance, an on-going Twinning project is giving assistance to the Albanian Civil Aviation Authority (EUR 1 million under IPA 2008) to implement EU air safety oversight standards and to upgrade the skills of its human resources.

3.6 Sector IV: Environment and climate change

The country faces numerous and increasing environmental problems, including poor urban air quality, poor quality of drinking water, insufficient waste water treatment, lack of sanitation, chaotic urban development, deforestation and land degradation. In the context of recent rapid growth and urbanization, the hazardous quality of the urban environment is having increasing impacts on public health associated with factors such as solid waste management, water quality and air quality. For all this reason, the 2011-13 MIDP considers environment as a key sector where to channel IPA financial assistance.

The EU funded a number of projects to clean-up environmental hot-spots and to build up waste water treatment plants and sewerage systems in selected municipalities/prefectures (Velipoje, Lushnje, Berat/Kuçove, Fier, Saranda, Elbasan and Korca).

In addition, IPA technical assistance also aims at strengthening the administrative capacity of the Albanian Ministry of Environment, Forests and Water Administration, which plays a key

role to raise awareness in the public opinion and among all line Ministries (Public Works, Agriculture, Tourism, Education etc.), which have responsibilities for environmental protection and have to include environmental issues in their policies and strategic documents.

The EU has been focusing on this sector also because EU environment and climate legislation together are one of the largest parts of the *acquis*. Its transposition and implementation is an enormous challenge for every pre-accession country. In this regard, through IPA technical assistance Albania has archived a remarkable result in 2011 such as the adoption of the new Law on Environmental Protection, which sets a comprehensive framework for the whole sector and translates into the Albanian legislation very important key EU Directives.

3.7 Sector V: Social development

The 2011-13 MIDP has identified a number of priorities to be tackled in the area of social development: (i) increasing school enrolment rates at secondary level; (ii) improving the education system in order to increase the offer of required skills; (iii) establishing a modern vocational training system in line with the market expectations. IPA funds have already been used to address these priorities in previous interventions via the 2008 and 2009 IPA envelopes. However the IPA 2010 project "Human Resources Development" (EUR 3 million), started in September 2011, is providing a comprehensive package of technical and financial assistance to the Ministry of Labour, Social Affairs and Equal Opportunities in order to improve its administrative capacity in implementing labour active market measures, which are designed to improve the vocational training system and to promote employment.

IPA support to this sector reflects the Commission's objective to prepare Albania for the implementation and management of the European Social Fund and to bring Albania closer to EU policies, both in terms of social policy development and institutional and administrative capacity for the future use of the IPA funds under component IV (human resources development).

The Commission is also looking at social development in a broader perspective, which includes all the interventions aimed at increasing the level of inclusiveness of vulnerable groups. Indeed, one of the key priorities identified in the Commission's 2010 Opinion is that Albania takes concrete steps to reinforce the protection of human rights, notably for women, children and persons belonging to minorities, such as Roma and Egyptians minorities, and to effectively implement anti-discrimination policies. Therefore, in the 2011 IPA National Programme envelope, the EC has envisaged a relevant intervention designed ad hoc to increase the living conditions of the Roma and Egyptians minorities.

3.8 Sector VI: Agriculture and rural development

The main goals of Albania's rural development policies are (i) to improve the quality of life in rural areas through sustainable development of human and natural resources and diversifying

non-agricultural activities, (ii) to increase the economic efficiency of the agricultural and agro-processing sector through improved productivity and product quality and (iii) to guarantee higher standard of food safety for the health of the population.

The 2011-13 MIPD has endorsed the objectives identified by the Albanian Ministry of Agriculture. The Commission considers the sector as a priority for two strategic reasons. More than half of the Albanian population still works in agriculture, thus having a considerable impact on the national GDP. Therefore, financial assistance channelled to the sector has produced a multiplier effect over the living conditions of the population and over the macroeconomic situation of the country, helping Albania fulfil the enlargement obligations as regards the economic criteria. In addition, the overarching priority for the EC is to properly prepare Albania to use the funds available under IPA component V (agricultural and rural development). Consequently, IPA technical assistance has been provided to the Albanian Ministry of Agriculture in order to set up the administrative structures devoted to the management of IPA funds.

As far as Food Safety is concerned, IPA technical assistance (EUR 5.65 million) supported Albanian veterinary services in the fight against zoonotic diseases and the recently-established National Food Authority to carry out risk assessment and consolidate its operational capacity in terms of inspections to food businesses. The attention given to food safety also reflects the Commission's intention to boost the agricultural sector via an increase of agricultural products exportations, which can be achieved if food quality standards are respected.

3.9 Cross cutting sector: civil society

IPA funds from different yearly envelopes have been focusing on expanding civic initiatives and on building CSOs' capacities. IPA civil society facilities have fostered (i) sectorial and regional networking, (ii) exchange of experience and information, (iii) sharing of common benchmarks and good practices. IPA civil society facilities, financed under the National Programme for Albania, have been designed and implemented in full conjunction with other IPA assistance for civil society (regional programmes and CBC programmes) and with the assistance channelled under the European Instrument for Democracy and Human Rights.

IPA support towards civil society has addressed three main areas: (i) fight against corruption, organised crime and human trafficking; (ii) environment protection and environmental education; (iii) assistance to vulnerable groups (e.g. women, children, minorities and poor people). These areas have been chosen, taking into reference the key priorities for Albania outlined in the Commission's 2010 Opinion (key priority number 8 anti-corruptions and number 11 protection of human rights).

IPA's support to civil society in Albania concerns the actions undertaken by the Institute for Policy and Legal Studies in the area of anticorruption. The Institute succeeded to have a decree issued by the Ministry of Justice concerning transparency regulations for court proceedings in the entire country. This was actually beyond the expectations of the project

which aimed at having at least internal regulations issued by some of the courts addressed by the Institute. Excellent technical preparation and efficient lobby action were the key elements to successfully accomplish more than initially planned.

3.10 Cross-border cooperation

During 2011, in the frame of the on-going bilateral Cross-border Co-operation (CBC) Programmes with Montenegro, the former Yugoslav Republic of Macedonia (the former Yugoslav Republic of Macedonia) and Greece, an increased number of contracts have been signed following call for proposals. 2011 was also the year of the first fully-fledged CBC programme between Albania and Kosovo, with the simultaneous signature by the Albanian and Kosovar authorities of the Financing Agreements with the European Commission in September 2011.

As regards the Programme between Albania and the former Yugoslav Republic of Macedonia, in 2011 a total of 15 grant contracts were signed following the first call for proposals (total EU contribution of approximately EUR 527 000). The second call, with an allocation of EUR 675 000, suffered some delays and the evaluation process could not be finalised during 2011 (it was finally concluded in early 2012). The third call was launched in late 2011, with a total allocation of EUR 2 295 000 (2009, 2010 and 2011 appropriations).

As regards the Programme between Albania and Montenegro, the beneficiaries (NGOs and local authorities) of 6 grant contracts, emanating from the first call for proposals (total EU contribution of approximately EUR 522 000 - 2007 appropriations), started the implementation of the projects. The evaluation process of the second call for proposals (total EU allocation of approximately EUR 1 440 000 - 2008 and 2009 appropriations) experienced some delays and could not be concluded within 2011 (it was finalised in February 2012).

As regards the Programme between Albania and Greece, no contract has yet been signed in the frame of the first call for proposals (total EU contribution of approximately EUR 3,587,934), due to the delays encountered in the evaluation process, which could only be finalized at the end of 2011.

During 2011, in the frame of the Albania's participation to the ERDF South East Europe Transnational Programme, 3 grant beneficiaries of the first call for proposals started the implementation of the projects (total EU contribution of EUR 180,000 - 2007 appropriation). In addition, 5 grants contracts were signed and implemented following the second call for proposals (total EU contribution of approximately EUR 365,700 - 2008 and 2009 appropriations).

However, during 2011 the implementation of the different cross-border programmes in Albania faced serious shortcomings. The launching and evaluation of calls for proposals experienced significant delays. This is particularly the case of the evaluation of project proposals submitted under the second call for proposals of the CBC programmes with

Montenegro and the former Yugoslav Republic of Macedonia and under the first call for proposals of the programme with Greece. These sometimes unjustified delays put the implementation of the CBC Programmes at risk and caused the loss of some funds. Due to delays, the Operating Structures of each CBC Programme have also repeatedly requested the extension of the contracting deadlines fixed in the relevant Financing Agreements.

One of the main shortcomings faced during 2011 was the lack of proper functioning of the Joint Technical Secretariat (JTS) in Shkodra for the Programme with Montenegro, as well as the JTS in Struga and antenna in Elbasan for the Programme with the former Yugoslav Republic of Macedonia. Some of the problems experienced by the JTSs were linked to the fact that the Operating Structures faced serious challenges in implementing the grant contracts for technical assistance signed with the EU Delegation to Albania. In addition, the JTS in Thessaloniki for the Programme with Greece was not set up as foreseen due to the considerable delays experienced by the Greek Managing Authority in completing the procedure for the selection of the relevant human resources.

4. IMPLEMENTATION AND MONITORING MODALITIES AND STRUCTURES

The 2011 joint monitoring meeting undertaken by the European Commission with the Albanian authorities in December reviewed the implementation of the currently on-going IPA projects. Many shortcomings in the implementation of projects were raised, in particular retaining trained staff and providing maintenance as well as budgeting plans for finished infrastructure projects in order to ensure a stronger impact and sustainability. These findings will be taken into account for the upcoming IPA 2012 programming.

The monitoring of projects is also carried out throughout the year. During 2011, the Commission – in particular the EU Delegation - monitored 110 projects out of 268 through 202 site visits. In addition 29 ROM monitoring activities have taken place. In addition several audits and self-evaluations have taken place. With regard to CBC, the Delegation engaged an external monitoring support through ATA 2011 funds.

The implementation of CBC programmes and Civil Society activities through grant contracts remained a risk and required close monitoring, as the grant beneficiaries are mostly local government bodies or small civil society organisations, often with a limited administrative capacity. Additional information and communication efforts have been undertaken by the EU Delegation and technical assistance, in order to better prepare these organisations for the participation in calls for proposals and future project implementation.

PART II - FINANCIAL DATA

On implementation of assistance at 31 December 2011

IPA Albania

Albania	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	49,968,810	49,428,161	98.92%	23,599,802	47.23%
IPA 2008	66,596,705	60,488,641	90.83%	39,270,274	58.97%
IPA 2009	73,787,170	47,024,067	63.73%	25,024,751	33.91%
IPA 2010	87,159,507	63,612,050	72.98%	15,654,491	17.96%
IPA 2011	85,992,697	14,500,000	16.86%	0	0.00%
Total	363,504,889	235,052,918	64.66%	103,549,318	28.49%

IPA – Component I National Programme Albania

Albania	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	49,268,790	48,748,161	98.94%	22,979,445	46.64%
IPA 2008	64,037,000	60,053,318	93.78%	38,986,283	60.88%
IPA 2009	69,860,000	46,777,605	66.96%	24,827,581	35.54%
IPA 2010	83,200,000	63,612,050	76.46%	15,654,491	18.82%
IPA 2011	82,000,000	14,500,000	17.68%	0	0.00%
Total	348,365,790	233,691,134	67.08%	102,447,800	29.41%

IPA – Component II (CBC) Programme Albania

Albania	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	700,020	680,000	97.14%	620,357	88.62%
IPA 2008	2,559,705	435,322	17.01%	283,990	11.09%
IPA 2009	3,927,170	246,462	6.28%	197,170	5.02%

IPA 2010	3,959,507	0	0.00%	0	0.00%
IPA 2011	3,992,697	0	0.00%	0	0.00%
Total	15,139,099	1,361,784	9.00%	1,101,517	7.28%

SERBIA

1. SUMMARY

During 2011, **Serbia** received pre-accession financial assistance from IPA under the first two IPA components (Transition Assistance & Institution Building and Cross-border Cooperation) which were still managed by the EU Delegation in Belgrade. The EU contribution regarding IPA Component I, allocated in 2011, was EUR 178.556 million.

Serbia continued preparations for decentralised management of EU funds for Components I, II, III and IV by completing the Gap Plugging phase in December 2011. As a result of the latter, IPA-financed Technical Assistance for carrying out the Compliance Assessment began in January 2012.

The IPA 2011 National Programme was adopted by the European Commission on 8 July 2011. Particular attention was paid to preparing for the progressive introduction of a sector approach.

The improvement of financial absorption capacity has continued. At the end of 2011, the EU Delegation was managing a portfolio of 708 on-going projects including substantial amounts for sectors such as public administration reform (EUR 26.3 million), justice and home affairs (EUR 11.95 million) and social development (EUR 32.1 million).

Sector prioritisation was achieved by 8 sector working groups, formed for the first time by governmental and non-governmental stakeholders, on the basis of the Multi-annual Indicative Planning Document (MIPD) 2011-13, the Annual Progress Report, the Serbian Needs Assessment for international assistance as well as an assessment of the quality of existing strategic documents.

2. STRATEGIC PLANNING AND PROGRAMMING

2.1 Multi-annual Indicative Planning Document

The Government of Serbia, local stakeholders, the EU Member States, and other donors have all been consulted in the design of the Multi-annual Indicative Planning Document (MIPD) for the period 2011-13. To achieve the priorities selected for EU support in this programming period, IPA support will primarily focus its assistance on the following sectors:

- (1) Justice and Home Affairs;
- (2) Public Administration Reform;
- (3) Social Development;
- (4) Private Sector Development;
- (5) Transport;

- (6) Environment, Climate Change and Energy; and
- (7) Agriculture and Rural development.

During 2011, the Delegation continued to play a leading role in donor coordination. The coordination mechanisms that were established at the beginning of 2009 (monthly EU donor meetings and bi-monthly informal donor group meetings with donors and IFIs) continued functioning well, bringing added value to the overall international assistance in Serbia. Sector coordination meetings were held at the initiative of line ministries and/or donors. In most cases they were organised by the EU Delegation. In almost all sectors lead donors are identified. In 2011 a reform of donor coordination has started, led by the Serbian authorities and supported by the donor community, in order to align better donor coordination with Serbia's Needs Assessment for International Assistance. All sector coordination groups are to be gradually taken over by the relevant national authorities under the overall coordination of SEIO. A lead donor will be associated to each group. This reform is implemented gradually and at the end of 2011 was not fully effective in all areas. However, once completed, it will be a major step towards better coordination and ownership.

Table 1: MIFF¹⁹ allocations per component, in EUR million

Component	2010	2011	2012	2010-2012
I – Transition Assistance and Institution Building	186.8	189.9	193.8	569.9
II – Cross-border cooperation	11.1	11.9	12.0	35.6
TOTAL	197.9	201.8	205.8	605.5

2.2 Programming

2.2.1 Component I

The programming activity during 2011 included finalisation and approval of the IPA 2011 programme and start of programming of IPA 2012 programme.

The Financing Decision for IPA 2011 programme was adopted on 8 July 2011. The 2011 Programme included 23 projects selected based on the 2010 Progress report and in line with the 2011-2013 MIPD for Serbia. Particular attention was paid to start the gradual move towards sectorial approach.

¹⁹ Communication from the Commission to the European Parliament and the Council 'Instrument for Pre-Accession Assistance (IPA) Revised Multi-Annual Indicative Financial Framework for 2011-2013', COM(2010) 640 of 10.11.2010.

The programming of IPA 2011 took into account the various lessons learned from previous CARDS and IPA programming exercises: preparedness and maturity of the selected projects, beneficiary absorption capacity and past achievement records of implementing institutions. Project maturity was assessed against the quality of existing project documentation especially in terms of investment projects involving works and supplies. The ownership of national bodies responsible for the IPA programming process continued to rise, which was particularly evident in the donor coordination aspect.

One example of the progress towards donor coordination is the EU participation to a Multi-donor trust fund on justice sector reform lead by the World Bank with the participation of 8 countries.

The starting of this programming exercise has proven, however, to be more challenging than other IPA national programmes due to the implementation of a new methodology of programming for the introduction of a sectorial approach.

Table 2: Indicative financial allocations for the year 2011 under the National Programme, per sector and per project, in EUR million:

Sectors/Projects	IPA support
Justice and Home Affairs	11.95
1. Strengthening the rule of law in Serbia	9.75
2. Implementation of anti-discrimination policies	2.2
Public Administration reform	26.3
3. Strengthening legislation, policy and coordination capacities at the central level	6.5
4. Modernisation of Tax Administration	7.6
5. Modernisation of the custom system	4.1
6. Strengthening Capacities of the State Audit Institution and the Audit Authority	2.3
7. Capacity building and IT Assistance to the Commission for the Protection of Competition	3.0
8. Enforcement of intellectual property rights	2.8
Social Development	32.1
9. Support for the implementation of strategies for IDPs, refugees and returnees	7.0

10. Support Human Capital development and research	16.9
11. Support for deinstitutionalisation and social inclusion of persons with mental disability and mental illness	4.7
12. Preparation of labour market institutions for European employment policy	3.5
Private Sector Development	18.5
13. Socio economic development in the Danube Region	18.5
Transport	13.8
14. Modernisation of Railways	8.3
15. Access roads to the Žeželj bridge	5.5
Environment, Climate change and Energy	38.6
16. Construction of Waste Water Treatment Facilities	15.0
17. MEGLIP-Municipal Environment Grant-Loan Investment Programme	19.1
18. Law enforcement in the field of industrial pollution control, prevention on chemical accidents and establishing the EMAS system	3.0
19. Capacity Building for the Energy Agency	1.5
Agriculture and Rural Development	6.0
20. Support for Food Safety, Animal Welfare and control/eradication of swine fever and rabies	6.0
EU Acquis other Horizontal Activities	31.3
21. Project Preparation Facility and Support Measures	7.8
22. Alignment with the European Statistical System (ESS)	19.5
23. Support for Participation in EU Programmes	4.0
TOTAL	178.55

2.2.2 Component II

Serbia is actively participating in 3 Cross-Border Cooperation (CBC) Programmes with Western Balkans countries (Croatia, Montenegro and Bosnia and Herzegovina), 3 CBC Programmes with Member States (Bulgaria, Romania and Hungary) and one transnational interregional programme (South East Europe).

All these programmes are implemented on the basis of a multiannual programme covering the entire financial period 2007-2013. Concerning the 3 CBC programmes of Serbia with Croatia, Montenegro and Bosnia and Herzegovina multi-annual programmes were adopted in 2007 by the Commission and revised in 2010. In 2011 the 3 programmes CBC intra-Western Balkans were slightly updated to include the 2012 and 2013 financial allocations in view of their adoption in 2012 as well as to take into account new data following population census conducted in Montenegro.

3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2011

3.1 - Success stories

Agriculture and rural development

The first three campaigns of oral vaccination of foxes (which are the main reservoir and vector for spreading of rabies virus to other animals) against rabies in autumn 2010, spring and autumn of 2011 already yielded noteworthy results: the number of registered cases of rabies was substantially reduced. In 2009 (which was the last year prior to the start of oral vaccination), the veterinary service of Serbia recorded 185 rabies cases in wild animals, while in 2011 there were only 46 such cases, i.e. a decrease of 75% in the number of cases has been recorded. Concerning the geographical spread of the rabies, the difference is also remarkable between 2009 and 2011. In 2009, 21 out of 25 counties (*okrug* in Serbian) had cases of rabies in wildlife, by 2011 only 12 *okrug* had such cases. The usual procedure within the EU is to have 10 consecutive vaccinations within 5 years until complete eradication of this dangerous disease. Rabies in wild animals is eradicated in most of the EU Member States, in particular in Western Europe where eradication programmes started decades ago. Elimination of this disease in the region neighbouring the rabies free EU Member States is therefore vital both in order to protect the health of humans and animals in the Beneficiary Countries, and reduce the risk of the disease re-introduction in the EU. The total value of the programme for eradication of animal diseases in Serbia to date is approximately 10 million Euros, while its foreseen total value is around EUR 20 million.

Social development

Through the project "Education for All - Increasing the Availability and Quality of Education for Children from Marginalised Groups" (IPA 2008, EUR 3 million) – which seeks to

contribute to social inclusion and poverty reduction by enabling greater access to the regular public education system in Serbia for children from marginalised and special needs groups, a number of important results were achieved – 178 pedagogical assistants (PA) were trained to support children from vulnerable groups, mainly Roma children and children with disabilities, in their enrolment and everyday activities in the schools.

These PAs are also in charge of the contact with the community and the family of the children from vulnerable groups. The prevention of drop-out is their crucial objective, in line with the main objectives of Serbia's strategies, but also in line with the Europe 2020 objectives. Training for the school staff and teachers, as well as a large campaign to sensitise the schools/parents/communities was also part of this project, helping achieve substantial progress in this area.

3.2 Overview of the implementation status of the different instruments and components

Overall, by the end of 2011, contracts worth EUR 203 million were signed, this being a substantial advancement compared to last year (excluding the general budget support by IPA 2009).

By end of December 2011, 99.1% of IPA 2007, 85.9% of IPA 2008, 96.1 % of IPA 2009, 55.7% of IPA 2010 and 39% of IPA 2011 have been committed. All remaining contracts to be committed under IPA 2008 and IPA 2009 were in the last phases of the tendering process and were expected to be signed during the first quarter of 2012. Those good achievements are the result of the continued efforts in terms of closely monitoring of the procurement cycle (contract pipeline) by the EU Delegation.

The early signature of the Financing Agreements for IPA 2009 (10 February 2010), IPA 2010 (25 May 2010) and IPA 2011 (22 July 2011) allowed a timely implementation of those programmes.

For IPA 2011 programme early signature allowed starting implementation in 2011 and commitment of EUR 51 million by end of the year.

3.3 Sector I: Public Administration Reform

In 2011 few projects supporting public administration reform were under implementation. Some key projects should be highlighted.

The main project - "Support to public administration reform process" - began implementation in 2011 (IPA 2010, EUR 6.5 million). Its aim is to provide support in three key inter-related segments of public administration reform: general legal and institutional framework for public administration reform; enhancement of the recruitment system and introduction of career development; and e-Government development, both in terms of policy and of technological capacities. With these three different axes, the project aims at rationalising administrative

resources and making public administration more transparent, effective and accountable; at improving civil service in the sense of a merit-based system; and at making services to the citizens more effective and accessible.

In addition to this key project, successful scholarships were granted to civil servants who got specialised training on EU *acquis* requirements in various Member States (IPA 2008, "EU integration scholarships, EUR 4 million). These activities showed to be particularly effective in enhancing human capacities in charge of preparation, adoption, implementation and enforcement of EU-related legislation.

Important to mention is also the Twinning project "Strengthening the Serbian Public Procurement System" (IPA 2007 EUR 2 million) which continued to support reforms in the public procurement sector, especially in terms of legal analysis against *acquis* requirements. The project also supported the development of a strategy on public procurement, adopted by the Government in June 2011. External assistance in this field was also useful to encourage inter-institutional coordination, which proved to be inadequate in the past to carry out reforms in the sector. A SIGMA assignment assisting the line working group in drafting the Law on General Administrative Procedures was carried out all along the year, until the finalisation of the text. With regard to TAIEX, Serbia continued to be a very active user of TAIEX events. During 2011, 110 events (either in Serbia or abroad) were organised with Serbia as a single beneficiary, representing 9.6% of all classic TAIEX events. Further 159 events (either in Serbia or abroad) were organised with Serbia as one of the beneficiaries. Participation of Serbians in the TAIEX events remained stable in 2011.

3.4 Sector II: Justice, Home Affairs and Fundamental Rights

Important activities have been carried out in 2011 in this sector especially improving capacities of the judiciary system as well as improving implementation of penal sanctions.

In terms of supporting the judiciary system in Serbia, some key projects have been implemented with the aim of enhancing capacities of staff and improving transparency and efficiency of judiciary system. In this field, three projects can be highlighted:

- "Support to the National Judicial Academy" (IPA 2007, EUR 1.45, million) provided technical assistance for the establishment of the initial and continuous mandatory training for Judges, Prosecutors and other relevant staff in the Serbian Judiciary. The project was completed in September 2011.
- "Improvement of transparency and efficiency (prosecutors and penal system)" (IPA 2008, EUR 4.5million, technical assistance and supplies) provided assistance to the Ministry of Justice to improve the efficiency and transparency of the Serbian prosecution and penalty service through the development of a case management system, including document handling and data collection.
- "Improvement of efficiency and transparency of judiciary system" (IPA 2007, EUR 3 million, technical assistance and supplies) provided assistance to the Ministry of Justice to improve the efficiency and transparency of the Serbian Courts through the

development of a case management system, including document handling and data collection. Due to the use of different types of electronic case management software by the Ministry of Justice and the courts in the past, this project encountered delays and was not finalised at the end of 2011 as initially planned.

Important support to the penalty system has been also provided in 2011. This included improvement of prison conditions for the inmates through the construction of a new security fence in the prison of and the construction of housing units in the Juvenile detention facility in Krusevac according to EU standards ("Improvement of the penalty system" IPA 2007, EUR 5 million).

Also important to mention is the support to alignment of Serbian penal system with EU standards. Two components were supported: i) introduction of efficient practical professional training program for convicts to enable them to be employed once their sentence is finished, and ii) establishment of necessary preconditions for an efficient and effective alternative sanctions system ("Further Alignment of Penal system of Republic of Serbia with EU standards and strengthening alternative sanction system," IPA 2010, EUR 5 million).

Support to the fight against corruption has been also continued. The project "Fight against Corruption" (IPA 2008, EUR 2.4 million, technical assistance and supplies) contributed to the reduction of corruption by supporting the operational functioning of a comprehensive agency that is in charge of coordinating the fight against corruption. Project implementation started in February 2011 and will end in March 2013.

3.5 Sector III: Social development

In 2011 IPA support helped improving social inclusion of vulnerable groups as well as supporting education.

Important support for social inclusion of refugees and IDPs has been provided in 2011 thanks to projects financed under IPA 2007 (EUR 10 million), 2008 (EUR 6 million) and 2009 (EUR 12.65 million). These projects aimed at providing refugees and IDPs with a comprehensive set of measures to facilitate and encourage their social inclusion into Serbian society. Measures included mainly housing solutions but also legal assistance as well as self-employment and income generation support.

Support to social inclusion of other vulnerable groups has been also provided in 2011. This included the following projects:

"Implementation of priorities in the area of human rights and protection of national minority groups" (IPA 2007, EUR 1.5 million): finalised in December 2011, the project sought to support human rights standards and minority protection in Serbia and aligning them to EU standards.

"Social Inclusion" (IPA 2008, EUR 5.5 million): contributed to the objective of improving social inclusion and reducing poverty among the most vulnerable groups in society (children with disabilities, women in rural areas and Roma) through rationalisation and decentralisation of social protection services and development of community-based alternatives. Thanks to support provided to municipalities to develop community based services, the number of children with disabilities placed in large-scale residential institutions has decreased and local community-based services that foster employment of vulnerable categories of youth and women have been strengthened. The project was in 2011 in its second year of implementation.

Education has been also a key element of EU support in 2011. Only Few projects have been launched and/or continued supporting adult education; i.e. ("Second chance" IPA 2008, EUR 4.5 million), assistance to the most vulnerable children ("Education for all" IPA 2008, EUR 3 million), or pre-school education ("Improvement of the preschool education" IPA 2009, EUR 3.75 million).

Children from marginalised and special needs groups were the main beneficiaries, in particular Roma population.

3.6 Sector IV: Private Sector Development

Worth to mention is the recently finalised project "Support to Enterprise Competitiveness and Export Promotion" – SECEP (with a total budget of EUR 3.5 million). The project aimed at supporting local SMEs to be more efficient, improve the competitiveness of Serbian products in the international market and enhance the long-term economic stability. In close cooperation with the ministry in charge of economy and regional development as well as with relevant agencies and local authorities the project organised 4 international "Meet the Buyer" events where 60+ multi-national companies were in direct contact with more than 1.100 potential Serbian suppliers. Through in-company assessments, business improvement projects, international consultant support and tailor-made workshops 50 companies from key sectors (automotive, metal working, electronics, IT and packaging) were assisted to enter global supply chains. During the project, Serbia appeared for the first time on the European cluster network and intensive support to 6 prioritised clusters resulted in more than 100 SMEs and over 20 partnering organisations (such as academia, institutes, chambers) becoming cluster members. Just as an example, Serbian Furniture Cluster came up with an innovative, award winning product that will be exhibited in the Milan Furniture Fair. SECEP also supported establishment of the first professional Exporters association of Serbia. All of the implemented activities will further enhance preparation of the private sector in Serbia for the European single market.

3.7 Sector V: Transport

In 2011, important achievements in this sector concerned the development of Corridors VII and X and the preparation for modernisation of railways sector.

Corridor VII – Danube River and Corridor X

Few projects were in 2011 under implementation to support the development of the Corridor VII and the circulation on the Danube River. This included traffic safety and monitoring ("River Information Services" IPA 2007, EUR 11 million), preparation of future River training and dredging works on selected locations in order to ensure swift navigation (IPA 2010, EUR 2.2 million), removal of unexploded ordinances (IPA 2010, EUR 3.8 million).

All this projects once fully completed will have an important impact on the navigation on the Danube and thus have an impact on socio-economic development of the Danube Region in Serbia as well as in Member States.

In addition, an important project has been signed at the beginning of 2011 for the construction of Zezelj Bridge across the Danube River in Novi Sad (IPA 2009, EUR 26 million). The new bridge will combine road, rail and pedestrian bridge over the Danube and the removal of the existing temporary bridge. This project is strategic for both corridors VII to improve navigation and X with two road lanes of traffic one for each direction, two rail tracks together with pedestrian and cycle lanes. The project is expected to be finalised in spring 2014.

Railways

Support has been provided in 2011 to the harmonisation of Serbian railways sector with the EU *acquis*. One project aimed at harmonising Serbian transport legislation with the EU *acquis* (IPA 2008, EUR 1.5 million). The project started in 2011 and is on-going until December 2012. Technical assistance has been also provided for implementation of the organisational reform of Serbian Railways in line with European Directives (IPA 2008, EUR 0.5 million). Implementation will continue until March 2013.

In addition, important support has been committed for the modernisation of railways infrastructures. Technical assistance has been provided for the preparation of the railway line between Novi Sad–Subotica (Hungarian border) and railway bypass around the city of Niš (IPA 2011, EUR 8.3 million)

3.8 Sector VI: Environment, climate change and energy

Environment:

In 2011 important progress has been made in the preparation of Serbia's alignment with the EU *acquis* in the field of environment. Three important Twinning projects took place in 2011 on the preparation for the development of Natura 2000 network (IPA 2007, EUR 1 million),

on hazardous waste management (IPA 2008, EUR 1.5 million) and implementation of chemicals management system (IPA 2008, EUR 1 million). Thanks to these Twinning crucial pieces of legislation have been prepared as well as proper strategies to tackle these sensitive issues in the coming years. Numerous trainings and awareness raising campaign have been also organised.

Important support has been also provided for reduction of pollution generated by thermal power plant Nikola Tesla. Significant reduction of the emissions was achieved thanks to the completion of the project "“Retrofit of the electrostatic precipitators in thermal power plant Nikola Tesla" (IPA 2007, EUR 11 million). This provided the fulfilment of legal obligations related to dust emission into the atmosphere in accordance with the legal regulations and EU directives (Directive 2001/80/EC for large combustion plants). As a continuation, a new project started to be implemented in 2011 for the rehabilitation of the electrostatic precipitators (IPA 2008, EUR 6.5 million).

In addition equipment has been provided for continuous air emission measurement. This equipment will enable continuous monitoring of emissions set by the “Directive 2001/80/EC for large combustion plants” (IPA 2008, EUR 1.7 million).

Energy:

The finalisation of IPA 2010 project “Sustainable development in the energy sector” provided the line ministry with Kyoto Protocol Implementation Plan in the Serbian Energy Sector and the Plan for the Implementation of the EU legislation regarding the quality of liquid fuels.

The CARDS 2006 project (EUR 30 million) for the “Construction of a high voltage electricity transmission line between Niš and the former Yugoslav Republic of Macedonia border (toward Skopje)” was finished in 2011. The project will help the creation of the regional electricity market in South East Europe and increase stability and security of the electricity system of South East Europe.

3.9 Sector VII: Agriculture and rural development

Throughout 2011, many projects are under implementation, whereas a few have been concluded, such as Control and eradication of classical swine fever (CSF) and rabies (IPA 2008, EUR 2 million) which supported the veterinary directorate of the Ministry of Agriculture in development and implementation of strategic plans for combating and eradication of rabies and CSF. The project furthermore assisted in development of tender documents and verification of national aerial vaccination campaigns of foxes against rabies and delivery of equipment for surveillance of animal diseases. The total value of the contracts for combating of the animal disease concluded so far (IPA 2008, 2009, and 2010) is about EUR 10 million. Two vaccination campaigns were organised in 2011 across the country.

Support was also provided to the phytosanitary directorate in preparation of the strategy including harmonisation of national legislation and procedures for registration of pesticides in line with EU requirements (IPA 2009, EUR 1.3 million). The latter had an impact not only on environment but also on food safety both for Serbian and EU citizens.

Another important project to highlight is the support to the renewal of viticulture zoning and to the designation for wine with geographical indications (IPA 2008, EUR 1.2 million). Thanks to a Twinning and to 2 supply contracts, small and medium wine producers in different areas of Serbia were supported, mainly through the harmonisation of the Serbian legal framework towards the EU standards.

3.10 EU *acquis* and other horizontal activities

In 2011 IPA funds supported the conduct of the population census held in Serbia in October 2011 (IPA 2011 EUR 19.5 million). Population censuses present the most massive and the most complex statistical actions, and had to be conducted in Serbia before 2014 as recommended by the UN to all countries so that census data could be comparable, not only methodologically and by contents but also by time period included. Furthermore, comprehensive and accurate data is a key for drafting national policies and for negotiations in view of EU integration.

Further on, "Support to Civil Society" (IPA 2009, EUR 2 million), a project concluded in December 2011 helped providing support for the active involvement of civil society in Serbia's EU integration process, to strengthen dialogue between CSOs in Serbia and the EU; to build social cohesion as well as a solid contribution to overcoming discrimination in Serbia by promoting tolerance and cultural diversity. Last but not least, to enhance cooperation between public institutions and civil society in Serbia.

3.11 Cross-border cooperation

The implementation of Component II (Cross-Border Cooperation, or 'CBC') is done mainly through a bottom-up approach, favoured by Grant schemes based on joint calls for proposals fully involving local communities. Throughout 2011, the implementation started for grants financed by the Programmes between Serbia and Croatia, Montenegro and Bosnia and Herzegovina respectively and one transnational interregional programme (South East Europe).

Following the launch of the 1st Call for Proposals in 2009 and the selection of successful grants in 2010, in 2011 all 3 IPA-IPA CBC Programmes were for the first time running at full speed, a significant improvement compared to last year. In total 53 grants were awarded, mainly focusing on environment, social and economic development and people-to-people contacts. All structures were fully staffed and became operational. This represented a great achievement in the preparation for decentralised management of EU funds.

All mentioned programmes were in an advanced stage of implementation over the reporting period.

The impact of CBC in terms of fostering dialogue and reconciliation is huge, as it produced direct positive effects on both local and national level between the countries.. These programmes help former enemies to sit together and to take joint decisions.

Data from the 2nd Call for Proposal, launched during the summer 2011, revealed the success of the IPA CBC Programmes: overall, over 450 applications were received, with applicants requesting globally between five and six times the available allocations (only about 1 in 5 application will be funded):

- SER-BIH: 150 proposals received, i.e. an increase of 268% compared to the 1st Call (56 proposals received);
- SER-MNE: 102 proposals received, i.e. an increase of 182% compared to the 1st Call (56 proposals received);
- CRO-SER: 156 proposals received, i.e. an increase of 142% compared to the 1st Call (110 proposals received).

Success stories:

Integrated solution of border specific problems

"Environmental Binocular" project, SER-BIH CBC Programme

The two Municipalities of Priboj (SER) and Rudo (BiH) have a very specific border area: several villages in Priboj gravitate for basic services and economic activity around Rudo, which is just few kilometres away. As a consequence, members of the local communities have to cross the state border several times per day. This project aims to address the lack of organised communal solid waste collection service in villages remote from the centre of their Municipality. Several garbage containers and two trucks, one for each municipality, were purchased through the project. A Memorandum of Cooperation between Priboj and Rudo will allow each of the two municipalities to collect solid waste from nearby villages and local communities located just on the other side of the border.

Establishment of networks to increase competitiveness of local economies

"Apple.net2" project, spell out CRO-SER CBC Programme

The project organises joint workshops and exchange of best practices between Serbian and Croatian apple producers, promoting the creation of clusters to enhance the competitiveness of the local productions on local and international markets. This project builds upon the results achieved during the previous "Apple.net1", a national programme funded in Croatia from CARDS 2004. Compared to that earlier experience, the joint dimension allows a more enriching experience for the participants. Croatian producers gained experience about relations Serbian producers entertain with owners of cold storage facilities, while Serbian

producers acquired experience from the Croatians regarding economic cluster formation. A joint web site contains all relevant information regarding apple production and commercialisation.

Effective communication and strong visibility

"UPSTREAM" project, spell out SER-BIH CBC Programme

The project aims at improving the quality of life of the mental health patients through the promotion of a new model of psychiatric assistance as well as a new model of re-socialisation of mental health patients in their own society and community. This is achieved through exchange of best practices between the mental health therapists of Valjevo (SER) and Tuzla (BIH). These are some areas which are heavily affected by the conflict of the nineties and where post-traumatic diseases among local communities abound.

As part of its sensitisation campaigns, the project took advantage of the "Night of Museums" organised in Serbia every year to organise a "Night of Psychiatry" within the Health Centre Valjevo to raise awareness and reduce social stigma around mental health problems. About 220 people visited the event, which included art exhibition of mental health patients, books, movies and photos exhibitions. Most participants entered the Centre for the first time and some of them returned afterwards as patients. The cornerstone of the project was to promote the des-institutionalisation of mental health patients and the introduction of new treatment approaches.

4. IMPLEMENTATION AND MONITORING MODALITIES AND STRUCTURES

During 2011, Serbia, still being a potential candidate country, received pre-accession financial assistance from IPA under the first two IPA components (Transition Assistance & Institution Building and Cross-border Cooperation). The EU Delegation in Belgrade was still responsible for managing these two components.

Serbia has continued preparations for decentralised management of EU funds. This will enable Serbia to take responsibility for and hence increased ownership over, the implementation of IPA components. During 2011 Serbia continued working towards this objective for Components I, II, III and IV by completing the Gap Plugging phase during December. IPA financed technical assistance for performing the Compliance Assessment began in January 2012.

In regard to Component V the required structures, i.e. the future paying agency and the future managing authority, are being established with the support of a Twinning project and a technical assistance project.

Monitoring

The monitoring of EU-funded projects is a core element of the assurance strategy of the EU Delegation. The monitoring of on-going contracts is carried out through 3 essential channels: regular monitoring, external monitoring (ROM) and internal monitoring through specific on the spot visits.

Regular monitoring:

- Monthly project meetings of task manager are held with the team leaders of their projects, beneficiary organisations and other stakeholders. Moreover, quarterly Steering Committees are held for all institution building projects. In the case of small Grants meetings are held on an *ad-hoc* basis depending on possible problems or complexity in the implementation of the projects. The EU Delegation's Heads of Sections have regular meetings with their task managers to discuss problematic issues.
- *Ad hoc* sectorial meetings between Task Managers, beneficiary institutions and other stakeholders (such as other donors, contractors, project implementation units, NAO or DACU) are organised to discuss relevant developments concerning both tendering and implementation from the sectorial point of view. In the future and in the context of the move towards a sector approach and DIS, the introduction of SMSC (Sectorial Monitoring Sub Committees) is foreseen.
- Bi-monthly bottleneck meetings are organised between the EU Delegation and SEIO to discuss problematic issues that cannot be resolved at the level of monthly meetings and Steering Committees.
- IPA/Joint Monitoring Committees: twice a year, programme level monitoring committees are held with the participation of headquarters at the high level to discuss key issues related to programme implementation. Corrective actions are agreed at these meetings where problems are identified at lower level monitoring activities.

Results Oriented Monitoring

The ROM facility is systematically used by the EU Delegation. On the basis of our risks analysis, selected contracts are subject to ROM, giving the possibility to the Delegation to have an independent opinion on the efficiency of project implementation and its impact. Accordingly, a substantial number of the on-going IPA projects will be monitored by an independent team of experts.

Internal Monitoring

A formalised Internal Monitoring mechanism was introduced in January 2011. Based on the risk analysis, task managers ensure regular internal monitoring of projects. Proper monitoring of the implementation of projects is one of the core duties of the Operational sections and follow up corrective actions will be taken in case of monitoring findings. Findings are communicated to the national authorities for follow up. As of 2012, follow up will be centralised through SEIO rather than directly with beneficiaries, thereby strengthening its involvement and making them responsible as part of preparations for decentralization.

PART II - FINANCIAL DATA

On implementation of assistance at 31 December 2011

IPA Serbia

Serbia	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	172,410,580	170,874,010	99.11%	136,173,774	78.98%
IPA 2008	170,629,827	132,621,599	77.72%	76,296,812	44.71%
IPA 2009	174,415,926	157,354,419	90.22%	122,245,437	70.09%
IPA 2010	177,406,679	90,957,390	51.27%	33,452,959	18.86%
IPA 2011	181,156,810	51,000,000	28.15%	20,095,851	11.09%
Total	876,019,822	602,807,419	68.81%	388,264,833	44.32%

IPA – Component I National Programme Serbia

Serbia	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	164,836,352	163,325,813	99.08%	129,273,667	78.43%
IPA 2008	168,641,314	131,128,601	77.76%	75,377,800	44.70%
IPA 2009	170,551,643	156,966,734	92.03%	121,935,288	71.49%
IPA 2010	174,806,679	90,957,390	52.03%	33,452,959	19.14%
IPA 2011	178,556,810	51,000,000	28.56%	20,095,851	11.25%
Total	857,392,798	593,378,537	69.21%	380,135,566	44.34%

IPA – Component II (CBC) Programme Serbia

Serbia	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	2,114,228	2,088,198	98.77%	1,470,107	69.53%
IPA 2008	1,988,513	1,492,998	75.08%	919,012	46.22%
IPA 2009	3,864,283	387,686	10.03%	310,148	8.03%
IPA 2010	2,600,000	0	0.00%	0	0.00%
IPA 2011	2,600,000	0	0.00%	0	0.00%
Total	13,167,024	3,968,881	30.14%	2,699,268	20.50%

BOSNIA AND HERZEGOVINA

1. SUMMARY

Throughout 2011, EU financial assistance to **Bosnia and Herzegovina** played an important role to support the country on its way towards European integration. IPA continued supporting the country's efforts to comply with the requirements of the EU accession process and to fulfil its obligations under the Stabilisation and Association Agreement and the Interim Agreement. 2011 priorities strongly focused on public administration reform and the strengthening of the rule of law, in addition to alleviating the heavy consequences of the economic and financial crisis. The EU contribution allocated in 2011 was EUR 92.885 million.

The implementation of EU financial assistance in 2011 showed tangible results, including the adoption of the revised action plan for the public administration reform strategy, the introduction of the electronic publication of public procurement notices, the installation of 34 permanent GPS Station Networks throughout the country, which facilitated the accurate measuring of land parcelling. Further tangible results were the creation of a Small and Medium Enterprise (SME) Council, the construction of sewage collectors in Zivinice, and the successful implementation of the first ever country-wide rabies vaccination campaign.

2. STRATEGIC PLANNING AND PROGRAMMING

2.1 Multi-annual Indicative Planning Document

The strategic priorities identified in the 2011-2013 MIPD are supporting the strengthening of the rule of law, improving the capacity and efficiency of the public administration, and supporting social and economic development. The following sectors of interventions and specific objectives have been identified:

- Justice and home affairs with the objective of assisting the country to reform its justice sector and to fight against corruption and organised crime.
- Public Administration Reform with the objective of setting up a professional civil service and to improve the functioning of the institutions at all levels and to adopt the legal framework for public financial management in compliance with EU standards.
- Private sector, transport and environment sectors with the objective of developing the SME sector and investing in transport and environment infrastructure.
- Social Development with the objective to alleviate unemployment and to reform the education system.

The priorities and objectives have been selected because of their remarkable significance for the country's progress in the pre-accession process. Overcoming the economic crisis, social inclusion and strengthening the rule of law and public administration were identified as key challenges in the Enlargement Strategy 2010–2011. Justice and Home Affairs were chosen as a pilot for the sector approach, because it fulfilled the basic requirements for sector approach, in particular the adoption of relevant strategies, the availability of national funding and the interest of multiple donors to engage in the sector.

The Europe 2020 agenda offers the enlargement countries an anchor for reforms. IPA supports Bosnia and Herzegovina to follow priorities of the 2020 agenda, in particular where it offers support for the environment, for promoting social inclusion and for fighting poverty.

Table 1: MIFF²⁰ allocations per component, in EUR million

Component	2011	2012	2013	2011-2013
I – Transition Assistance and Institution Building	102.68	104.67	106.87	314.22
II – Cross-border cooperation	4.75	4.80	4.94	14.49
TOTAL	107.43	109.47	111.81	328.71

2.2 Programming

2.2.1 Component I

The programming exercise based on a series of consultation workshops in June 2010, to which national stake holders, selected donors and civil society organisations were invited to participate. Workshops were held in the areas of social inclusion, SMEs, education and employment, civil society, judiciary, law enforcement, public administration reform, environment, transport and energy. The workshops identified strategic objectives, expected results, benchmarks and indicators for financial assistance in the period 2011-2013.

The Commission ensured the cooperation and coordination with the national and international stakeholders, including Member States, International Finance Institutions, civil society, and

²⁰Communication from the Commission to the Council and the European Parliament 'Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2011-2013', COM(2009) 543 of 14.10.2009.

other donors through taking lead in the consultations in sector working groups, regular coordination meetings with Member States and through participation in the Donor Coordination Forum chaired by the Ministry of Finance. The coordination increased the effectiveness and the efficiency of the programming and implementation of assistance through actively developing synergies between projects. Other donors could plan their interventions based on IPA priorities. For example, the Council of Europe Development Bank is preparing a programme to support social inclusion and integration at schools which will be complementary to planned IPA interventions on schools reconstruction under the IPA 2013 national programme.

The active participation of the beneficiaries in the programming and identification exercise since the very beginning of the exercise took into account the overarching lesson learned in all previous assistance programmes, in particular that assistance projects did not achieve the expected results because of an insufficient sense of ownership on the part of the beneficiaries. However, as experienced in the course of the 2011 programming exercise, even the active participation of the beneficiaries in the early stage could not avert later political disagreement on already agreed projects.

The Commission acted as a mediator between high political levels and brokered a compromise which included agreement on the most of the projects, some of them with modifications to satisfy concerns raised by the Republika Srpska. There was ultimately no agreement on the usage of EUR 8.2 million from the 2011 basket so the remaining funds were reallocated to increase the funding of the demining activities (by EUR 2 million), of the project preparation facility (by EUR 1.2 million) and by allocating additional funds to the multi-beneficiary programme to create a Bosnia and Herzegovina window in the Sarajevo Process on refugee return. The Commission Implementing Decision on a budget of EUR 91.28 million was adopted on 5 December 2011.

The main results expected from the 2011 programme are the alignment of the legislative framework with the EU *acquis* in sectors relevant to EU accession, civil service reform, an improved legal framework for public procurement and public finance management, reform of judiciary and law enforcement, promotion of SME development and support for Bosnia and Herzegovina adhering to (*or implementing?*) its obligations under the Interim Agreement and the Stabilisation and Association Agreement. Another relevant result was the development of a strategic framework for the transport sector, the improvement of transport and environment infrastructure, and the reform of the education and social protection systems. Last but not least, the judicial reform was selected as a pilot for a sector approach.

Emphasis was placed on the selection of interventions resulting from reform priorities in the Enlargement Package, in particular where the enlargement strategy concluded that Bosnia and Herzegovina has to step-up its efforts in the areas of justice and public administration reform and that despite a moderate economic recovery, unemployment remains at very high levels and fiscal adjustment measures, as well as economic reforms have to be pursued with

determination to enable the country to recover, and, over the long term to cope with the competitive pressure and market forces of the Union.

The IPA 2011 national programme was programmed to be implemented through service, supply, and works contracts, a number of Twinning projects with Member States and a number of Joint Management Agreements with the Council of Europe, the EIB, the EBRD, and the World Bank. Considering the weak public financial management and the non-availability of sector and macro-economic policies, budget support was not an option.

The programming exercise for the IPA 2012 and IPA 2013 national programme kicked-off on 17 November 2011 in Sarajevo, where the Commission presented the key priorities, in particular the sectors justice and home affairs, public administration reform, private sector development, transport, social development,

Table 2: Indicative financial allocations for the year under the National Programme, per priority axis and per project, in EUR million:

Priority Axis	Projects	Budget
Political Criteria		<i>30.25</i>
	01.19.10 Strengthening social protection system at all levels of governance	7.50
	01.23.03 Support to the Justice Sector Reform	5.20
	01.32.02 Strengthening Public Financial Management	4.00
	01.34.01 Public Administration Reform	4.05
	01.36.12 Confidence building by demining and preservation of cultural heritage	9.50
Economic Criteria		<i>10.00</i>
	02.07.05 Support to the improvement of the institutional and legal framework as well as coordination and harmonisation of private sector development related public policies	7.00
	02.20.06 Support to the Local Economic Development in BiH	3.00
Ability to assume the obligations of membership		<i>45.60</i>
	03.15.11 Support to energy market liberalisation	2.50
	03.21.07 Modernization and Development of Transport	14.00

	Infrastructure on the South East Europe Transport Observatory (SEETO) Comprehensive Network in BiH	
	03.24.04 Support to the Law enforcement infrastructure	9.50
	03.26.09 Strengthening human resources and institutional capacities for better employability	3.50
	03.27.08 Support to infrastructure development and the approximation of environmental standards	16.10
Supporting programmes		5.43
	04.65.14 Participation of Bosnia and Herzegovina in European Union Programmes	2.40
	04.72.13 Project Preparation/General Technical Assistance Facility	3.03
TOTAL		91.28

2.2.2 - Component II

The cross-border cooperation programmes between Bosnia and Herzegovina and its neighbours Croatia, Montenegro and Serbia were revised in 2011 to include the financial allocations for the period 2011-2013, as adopted in the MIPD 2011-2013.

Some progress on the decentralisation of the implementation system (DIS) for the component II can be reported. The Council of Ministers adopted the Decision on the Establishment of the Operating Structure in September 2011, and the formal notification of this decision by the National Authorising Officer (NAO) was made in December. The Control, Finance and Contracting Unit of the Ministry of Finance has assumed the role of the First Level Controller with the assistance of the EU framework contract for the 19 contracts under the IPA Adriatic CBC programme, which were implemented in the shared management mode.

3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2011

3.1 Success stories

In 2011, the Commission implemented four demining projects with a budget of EUR 3.1 million. Three of the projects focused on reducing suspected areas through technical survey and clearance activities of mines, cluster bombs, and other unexploded devices. The result was the clearance of 1.2 million square meter land. Direct beneficiaries were the inhabitants of the affected areas, but also all citizens and visitors to BiH as well as companies

operating in the area. Those projects saved lives (the Progress Report 2011 reported 6 landmine accidents) and supported economic development and prosperity.

In addition to the three "hard demining projects", the EU funded a "soft" demining project in the amount of EUR 0.2 million. The project helped municipalities to carry out their mine risk education plans focused on at-risk population in contaminated areas. The project visibly marked the risk areas and supported capacity building in municipalities.

Beside the humanitarian aspect of demining, there is direct link to economic and ecologic development. Sectors like agriculture, tourism, construction, transport, water management, agriculture, and employment depend on demining and the release of land resources.

2011 marked the first year of implementation of the 5-year Western Balkans animal disease eradication programme. The EU allocated EUR 30 million for the fight against animal diseases in the Western Balkans region from IPA national and regional programmes, with EUR 6 million allocated for Bosnia and Herzegovina for the 5-year programme. In BiH, the first ever oral vaccination campaign against rabies was completed in December 2011. The aim was to improve animal health and to fight against serious health risks for the population, caused by rabies outbreaks. The vaccination campaigns, which will be continued during the next five years throughout the Western Balkans, will help to eradicate the disease in neighbouring Member States.

3.2 Overview of the implementation status of the different instruments

The implementation of pre-IPA instruments in 2011 was almost completed with the exception of one PHARE project on the reconstruction of architectural heritage in Stolac, with a budget of EUR 0.1 million. The project started in July 2011 and is expected to be completed by January 2014.

On IPA, the positive trend on increasing commitment and disbursement figures of 2009 and 2010 did not continue in 2011. There were several reasons for the decreasing rates:

(a) Lengthy adoption procedures on the side of Bosnia and Herzegovina on financing agreements on IPA assistance.

(b) More than 50 % of the budget of the IPA 2010 national programme (EUR 51.6 million), which was planned for commitment in 2011, was allocated to large scale infrastructure projects in joint management with the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the World Bank (WB). However, the conclusion of financing agreements between Bosnia and Herzegovina and the Banks was delayed.

In addition to the before mentioned high level meeting in November 2011, the Commission, the EBRD, the EIB and the WB sent a joint letter to the Chairman of the Council of Ministers and the Prime Ministers of the entities, in order to draw their attention on the problems of delays in the adoption of financing agreements and asked to review the possibility to

accelerate the ratification procedures and to improve the internal coordination.

In IPA component II, the implementation of the bilateral cross-border programmes is continuing, with the second calls for proposals launched for all three programmes in 2011.

Coordination and sharing of information proved to be valuable tools to enhance the capacities of the national Operating Structures and should be enhanced in the future. The implementation of programmes was coordinated through Technical Working Group meetings, comprising representatives of EU Delegations in the region, and the Technical Assistance project CBIB II.

3.3 Sector I: Public Administration Reform

The main needs identified in the current and previous MIPDs were the implementation of the public administration reform (PAR) strategy, the reform of the civil service and the advancement of the public internal financial control. The needs identification followed the conclusions of the Enlargement Packages, which ask Bosnia and Herzegovina to improve the functioning of its institutions to be in a position to adopt, implement and enforce the laws and rules of the EU.

There were positive developments in public administration reform (PAR). An IPA 2007 project (EUR 1.8 million), which was completed at the end of 2011, supported the PAR Coordination Office (PARCO) to develop and adopt the review of the PAR implementation strategy, to develop and to adopt a revised PAR Action Plan, and supported PARCO in the management of a multi-donor Fund. The Fund is sustainable and has seen an increase in resources and the number of donors subscribing to it.

Another MIPD priority and an *acquis*-related area supported by IPA 2007 was Public Internal Financial Control (EUR 1.1 million). Two projects supported capacity building of the Central Harmonisation Units in the state and entities' ministries of finance, their Coordination Board, trained internal auditors and controllers and supported the development of primary and implementing legislation (amendments to internal audit laws and laws on financing, financial management and control legislation, rules of procedures, charters and codes of conduct). Internal control, together with external audit, comprised the substance of Chapter 32 of accession negotiations. All activities were coordinated with assistance of the Swedish International Development Agency (SIDA) to the Supreme Audit Institutions, with USAID assistance to internal audit functions in public enterprises and SIGMA. Assistance will continue over the next years.

During 2011 twelve Twinning projects have achieved satisfactory results concerning *acquis*-related sectors (Integrated Border Management, Customs and Taxation, Statistics, Insurance, European Common Aviation Area, and Transport, to name a few.).

Beside the regular assessments of policy areas of BiH administration, SIGMA provided

assistance for the conduct of a peer review of the public procurement system, a peer review of the Supreme Audit Institutions, commented the draft law proposal for public procurement, the draft amendments to the entities civil service laws, the strategy for civil servants training in the Federation of Bosnia and Herzegovina (FBiH) and contributed to public internal financial control. In addition, SIGMA received ad hoc requests for strategic advice.

TAIEX implemented 14 national events and 18 multi-country events including workshops, expert missions involving MS-Experts and study visits to MS- institutions.

The EU supports Bosnia and Herzegovina in its participation in EU programmes, such as the EU's Seventh Framework Programme for Research (FP7), the Culture Programme, and the Europe for Citizens Programme.

3.4 Sector II: Justice, Home Affairs and Fundamental Rights

The main needs of the Justice Sector identified in the MIPD have been addressed by projects supporting the efficiency, the effectiveness, and the independence of the judicial system. An important project was the support for the judiciary which advanced the automation of courts and prosecutor offices and reduced the number of small claims cases in first instance courts. Thus it supported the MIPD objective to reduce the length of court proceedings and the backlog of cases. Another significant activity in 2011, co-financed by several Member States, was the support for the processing of war crime and organised crime.

MIPD priorities in the Home Affairs sector were addressed by the implementation of the electronic data exchange system for police and prosecutor registries, which provides systematic access to data necessary for the fight against serious and organised crime. A joint training project for the State Investigation and Protection Agency (SIPA) Financial Intelligence and Crime Investigation Units, prosecutors, financial regulatory agencies and other relevant institutions aimed to improve the reporting of suspicious transactions and of financial investigations to support the fight against money laundering.

3.5 Sector III: Private sector development

MIPD priorities in the private sector development have been addressed by a project on *local and regional economic and SME development*, which provided a functional voucher scheme mechanism for a SME consultancy pilot initiative for regional and local development and a project pipeline for community level interventions.

The *SME policy support development* project established state level structures (SME Council), prepared a strategic framework for the period of 2012-2015, and the approximation with the SME Charter and Small Business Act principles. IPA support to competitive sectors focused on tourism because of its potential for growth and job creation. This was complemented with a *grant scheme fund* for direct support for public and private partnerships

at community level in sectors with high potential to export and to create jobs (metal, wood, agriculture/food production, tourism).

The *Turn-Around Management and Business Advisory Services (TAMBAS)* programme of the EBRD demonstrated an effective mechanism for counselling and business planning.

Further activities addresses the alignment with EU central banking standards, provided capacity building for the three insurance supervision agencies and strengthened the capital base for the deposit insurance agency.

3.6 Sector IV: Transport

The EU invested EUR 1 million in an IPA 2007 project to provide technical assistance to railway authorities, in particular to the Railways Regulatory Board to harmonise regulations for the maintenance of railway infrastructure and rolling stocks with EU directives and technical specifications of interoperability. Some of the regulations originate back to the 1930s, were never updated and represent a serious obstacle for the implementation of safety directives, the upgrading of railway infrastructure, and the opening of the railway market. This IPA project supported the MIPD objective to create a functioning institutional and regulatory framework for all transport areas, and in particular opening of the railway transport market and improvement of the railway safety.

Transport is a key element in the EU's cooperation with its neighbouring countries to promote sustainable economic growth, trade and cultural exchange. Candidate and potential candidate countries are called to align themselves with EU legislation on transport in the interest of a well-functioning internal market. Bosnia and Herzegovina is a transit country for the trans-European networks, in particular for the Corridor Vc from Budapest to the harbour of Ploče in Croatia. On the corridor the EU supported the modernisation of the railway network (EUR 9 million, joint management with the EIB) and the construction of the Mahovljani highway exchange (EUR 5 million, joint management with the EBRD).

3.7 Sector V: Environment and climate change

In the water quality sector, the IPA 2007 assistance 'Support for Bosnia and Herzegovina Water Policy' (EUR 1 million) provided outputs which are the basis for the sector's *acquis*-related reforms. A water policy and a series of strategies on implementation of the directives on drinking water, urban wastewater treatment, and flood management were prepared. In the pollution prevention and control sector, the IPA 2007 Project 'Support for the Implementation of the Directive on Integrated Pollution Prevention and Control' (EUR 1.2 million), expected to finish by February 2012, and prepared the implementation plan for the directive. The progress in these sub-sectors served as a basis to move forward into the next phase of EU assistance to be implemented under the IPA 2008 programme. This involved the preparation of an Environment Approximation Strategy including climate change, and a pipeline of

projects for investment in the post-2014 period. This assistance is being provided through the ‘Support for Bosnia and Herzegovina Environment Institutions and Preparation for Pre-accession Funds’, a technical assistance project of EUR 2 million which started in late 2011. The interventions supported the MIPD Environment sector objective "transposition and implementation of the environmental *acquis* and other international obligations."

3.8 Sector VI: Social development

The MIPD sector objectives to improve the social protection system at all levels of governance and addressing specific needs of vulnerable groups, particularly children, was in the focus of IPA. A Social Protection and Social Inclusion project for children Phase III, implemented by UNICEF, aimed strengthening the capacities of social service providers, in particular the application of a needs-based approach for social services. Support for vulnerable groups, including Roma, was targeted with a project "Support for National Action for Roma inclusion" implemented under IPA 2008 and with a project "Reconstruction of small infrastructure in support of sustainable return" implemented under IPA 2007. This helped 40 families to return to their re-constructed pre-war homes.

In the education sector, the focus of assistance concerned the reform of higher education through the implementation of two IPA 2007 projects. The process of harmonisation of the curricula of eight public universities was supported. The results were uneven because in some cantons the relevant legislation did not exist. However, capacity building, management training and tailor made recommendations for further institutional development of each public university and other bodies were provided. An attempt to draft a state level law on recognition of diplomas and qualifications failed due to political disagreements. However, guidelines for recognition in line with the Lisbon Convention were drafted and adopted by all Ministers of Education. A Baseline Qualifications Framework for a national system of educational qualifications was adopted by the Council of Ministers. A strategy for entrepreneurial learning was drafted and adopted by the Council of Ministers.

In the sector labour and employment, the focus was on capacity building of public employment services implemented with an IPA 2007 project "Improving active labour market measures". The on-going project "Institutional and capacity building of the employment sector ", funded from IPA 2009, aims to improve the institutional capacity of labour market management and employment service delivery at national, entity- and sub-entity levels.

Although the MIPD did not specifically address the health sector, the EU provided support for the creation of basic conditions in the sector. A project dealing with the reform of the financing of secondary health care, funded under IPA 2008, provided assistance to the health authorities in introducing the output based system of financing, which will contribute to more cost-effective and efficient secondary health care, based on health care standards. A project financed under the IPA 2007 budget introduced a system of data collection and statistical reporting in public health in line with the requirements of WHO and EUROSTAT. Reporting for international purposes on the health status of the population is improving. The first National Health Report for Bosnia and Herzegovina was published in 2011.

3.9 Sector VII: *Acquis*-related and other actions

There is less progress concerning agriculture and rural development due to political disagreements on the degree of autonomy of rural development programming and budget control by the entities vis-à-vis the state level.

2011 saw the implementation of assistance for food safety (IPA 2007, EUR 1.0 million) and phytosanitary (IPA 2008, EUR 0.8 million) where support was provided to approximate to the *acquis*. Results were the preparation of an implementing legislation and of laboratory investment strategies.

The MIPD objective confidence building and promoting reconciliation has been supported by the reduction of suspected mined or at risk areas, to enable the return of population to demined areas, improved safety and protection of citizens against abandoned mines and unexploded explosive ordnances, reduction of mine casualties and assistance to mine victims, creating the preconditions for sustainable socio-economic development in demined areas through implementation of the IPA 2007 and 2008 demining projects.

3.10 Cross-border cooperation

Bosnia and Herzegovina participates in six Programmes: IPA Adriatic CBC Programme (shared management, 19 on-going contracts), three bilateral CBC programmes with neighbouring countries: Croatia, Serbia and Montenegro, and two trans-national programmes: South-East Europe (SEE) and Mediterranean trans-national programme (MED). In 2011, 60 contracts were being implemented. The 2007-2010 programmes have the following allocations: Croatia-Bosnia and Herzegovina EUR 4 million, Serbia-Bosnia and Herzegovina EUR 2.8 million, Bosnia and Herzegovina-Montenegro EUR 2 million, ERDF SEE EUR 1.8 million, and ERDF MED EUR 0.3 million.

There was a visible progress in the implementation of the bilateral CBC programmes. The preparation and publication of the second calls for proposals under bilateral programmes with the neighbouring countries has provided opportunity to apply lessons learnt from the previous calls, such as increase of the maximum amount of grants, merging evaluation steps in order to accelerate the selection procedure, and inclusion of cross-cutting issues in the scoring lists of some calls.

Some recently completed projects from the first call for proposals in the bilateral programmes with Montenegro and Serbia can be regarded as success stories. The close cooperation of institutions on both sides of the borders successfully led to achievement of the expected results in the project 'Selective waste collection' implemented by Municipality Modrica in BiH and Municipality Ub in Serbia. The project reduced the amount of disposed waste, enabled the development of recycling, improved the system of waste management, reduced the negative impacts on the environment, and raised the public awareness of environment and thus contributed to the improved quality of the border area environment as an economic resource as well as created cooperation for joint protection initiatives in the future.

Another successful project “Social cohesion and cultural exchange through institutional and people-to-people interventions” was implemented by the Centre for Democratic Transition in Montenegro and the Centre for Promotion of Civil Society in BiH. Through education and training, the project encouraged self-development of project participants and stimulated them to play active role in the socio-political development of their countries and communities in the future. Having in mind the post-conflict reality in which the BiH society lives, these young people crossed the real and imaginary borders and became friends with their peers at the other side.

4. IMPLEMENTATION AND MONITORING MODALITIES AND STRUCTURES

Implementation of Component I and II programmes: No change compared to previous reporting.

Multi-Beneficiary programmes: No change compared to previous reporting.

Monitoring: During 2011, the Commission monitored all active contracts through field visits, on the spot checks and verification of progress of construction works and delivery of supplies.

With regard to CBC, the Delegation engaged external monitoring experts through ATA 2011 funds to monitor all 55 contracts in the second half of 2011, after first progress reports for most of the contracts were delivered.

Implementation Reviews took place in April and October 2011 on the implementation of ongoing projects and on the project pipeline with a focus on the problematic issues.

The bi-annual IPA Monitoring Committees took place in July and December 2011.

Thirty-six projects of total value of EUR 65 million were subject to external result-oriented monitoring (ROM).

The average performance score is 2.84 on a scale from 1 (serious deficiencies) to 4 (very good). The projects "Programme of technical assistance for the Central Bank of BiH", the "Spatial information services for BiH – phase two – digital orto-photo maps", the "Support to the BiH Judiciary", the "Support to implementation of the IBM Strategy and Action Plan" and the "Support to trade policy and capacity building in BiH" were assessed as best, proving to be very relevant, effective and sustainable (average score of these five projects' performance is 3.5).

The five performance criteria against the scores provided in the ROM reports indicate that projects are generally well designed (91% of 36 monitored projects were graded either A or B for relevance), efficiency of project implementation is reasonable (73% of 36 projects were graded A or B) as well as impact (70% of 36 projects were graded A or B), while project effectiveness appears problematic (42% of 36 projects were graded C) and the sustainability is questionable (49% of 36 projects were graded C).

PART II - FINANCIAL DATA

On implementation of assistance at the end of December 2011

IPA Bosnia and Herzegovina

Bosnia & Herzegovina	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	56,602,436	54,734,316	96.70%	46,979,146	83.00%
IPA 2008	74,257,435	57,771,852	77.80%	35,649,614	48.01%
IPA 2009	87,987,738	56,774,550	64.53%	31,478,627	35.78%
IPA 2010	107,455,724	42,328,794	39.39%	12,372,915	11.51%
IPA 2011	99,975,106	4,889,987	4.89%	4,400,988	4.40%
Total	426,278,439	216,499,499	50.79%	130,881,291	30.70%

IPA – Component I National Programme Bosnia and Herzegovina

BiH	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	49,736,394	47,925,528	96.36%	40,605,690	81.64%
IPA 2008	66,754,783	51,284,476	76.83%	29,524,176	44.23%
IPA 2009	80,500,000	50,747,014	63.04%	25,795,156	32.04%
IPA 2010	99,954,423	37,027,493	37.04%	7,336,679	7.34%
IPA 2011	92,885,119	0	0.00%	0	0.00%
Total	389,830,719	186,984,512	47.97%	103,261,702	26.49%

IPA – Component II (CBC) Programme Bosnia and Herzegovina

BiH	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	1,453,020	1,395,765	96.06%	960,435	66.10%
IPA 2008	1,506,080	790,633	52.50%	428,694	28.46%
IPA 2009	1,560,202	100,000	6.41%	52,312	3.35%
IPA 2010	2,200,000	0	0.00%	0	0.00%
IPA 2011	2,200,000	0	0.00%	0	0.00%
Total	8,919,302	2,286,398	25.63%	1,441,441	16.16%

KOSOVO*

1. SUMMARY

The European Union Office in **Kosovo** (EUO) continued managing the implementation of EU assistance to Kosovo. It managed to exceed its financial targets, both in terms of contracts and payments. The preparations of the IPA 2011 Annual Programme (AP) for Kosovo have been completed, allocating EUR 62.900 million, and programming of the 2012 and 2013 Annual Programmes has started. Kosovo's participation in IPA Cross-Border Cooperation (CBC) programme proceeded well in 2011; the first Financing Agreements for Programmes, with preparations of the CBC-programmes with Albania and the former Yugoslav Republic of Macedonia were signed, as well as an additional programme with Montenegro which was finalised and subsequently adopted in December 2011. In terms of projects, important successes include the reconstruction of the last five bridges on the M2 Road connecting Kosovo to the former Yugoslav Republic of Macedonia. In addition, during 2011, Kosovo carried out the first population and housing census after almost three decades, providing valuable statistical information on the population and the living conditions, important for policy planning in the coming decade. The latter was funded through a trust fund co-financed by IPA 2010.

2. STRATEGIC PLANNING AND PROGRAMMING

2.1 Multi-annual Indicative Planning Document

The overall objective of EU financial assistance to Kosovo is to support its efforts for reform and towards compliance with EU standards and progress in the implementation of its European reform agenda. The purpose of the Multi-annual Indicative Planning Document (MIPD) is to set out the EU's priorities for assistance to Kosovo for the programming period 2011-2013.

The MIPD is based on the needs identified in the European Partnership of Kosovo as well as the annual progress reports and Kosovo's own strategies. The Government of Kosovo, local stakeholders, EU Member States and other donors have all been consulted in the design of the MIPD.

In its Communication 'Kosovo – Fulfilling its European Perspective' of October 2009, the Commission identified the key priorities for Kosovo to focus on in its EU reform agenda. The Communication confirmed that IPA resources would be targeted to support the rule of law,

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

public administration reform and efforts to improve Kosovo's business environment. It confirmed that support for infrastructure will also be considered. It specified that the Commission will support the initiatives included in the Communication's recommendations through financial and technical assistance. These initiatives envisaged the Commission to move forward in the areas of visas, trade, economic and fiscal surveillance, EU programmes, the Stabilisation and Association Process (SAP) Dialogue and cross-border co-operation. These areas reflect Kosovo's own European Agenda.

To achieve the priorities selected for support in the programming period 2011-2013, the Commission will focus its assistance primarily on the following sectors:

- Justice and Home Affairs (focus on visa liberalisation and the judiciary)
- Private Sector Development (focus on trade and business environment)
- Public Administration Reform (focus on the functional review)

2.2 Programming

2.2.1 Component I

The 2011 IPA Annual Programme (AP) was presented to the IPA Committee in September 2011 and the Financing Agreement was signed in December 2011. This Annual Programme had been prepared by the EU Office in close coordination with both the Ministry for European Integration and all beneficiaries.

IPA 2011 continued to support the rule of law, good governance, public administration reform, communities and education. It also addresses socio-economic issues, such as employment creation and regional economic development (including infrastructure, agriculture and rural development). Lastly, the programme addressed the approximation of the legislation to European standards, including on veterinary and food safety and energy sector reform.

The government has increased its overall efforts in terms of donor coordination. The Regulation on Donor Coordination was adopted by the government meeting in June 2011. The aim of this regulation is to increase the role of the government on the coordination of the foreign aid, creating a system that ensures effectiveness and transparency between the government and donor activities. Subsequently, sector and sub-sector working groups were better coordinated.

The Aid Management Platform continued to support the government in improving aid management and donor coordination, aiming mainly at reducing transaction costs in gathering and reporting on donor assistance, improving the alignment of donor assistance to the government's sector wide strategies and at providing up-to-date and publicly available information on on-going and planned aid activities.

A concrete example of functioning donor coordination is the support to Office of the Auditor General (OAG). The EU-funded Twinning was completed during 2011 and, in agreement with the Swedish Development Agency (SIDA), it was decided that SIDA will provide 'bridging' support to OAG until the new Twinning financed under IPA 2011 will start (expected: Q3 2012).

Another good example of coordination was the support to the Public Procurement sector. The EU Office throughout 2011 persistently worked with all relevant donors to ensure and agree that there was no duplication/overlap. Consequently, it was agreed that the World Bank would cover e-procurement, while the EU redirected its efforts towards other aspects of procurement.

Table 2: Indicative financial allocations for the year 2011 under the National Programme, per priority measure identified in the MIPD 2011-2013, in EUR million

Priority Measures	Projects	Budget
	Justice and Home Affairs	8.90
	01/2011/1: Border Management Readmission and Reintegration	3.70
	02/2011/1: Financial Crime and Road Policing	2.00
	03/2011/1: Judiciary	3.20
	Private Sector Development, Smart, Sustainable and Inclusive Growth	41.75
	04/2011/2: Regional Economic Development	5.70
	05/2011/2: Municipal, Social and Economic Infrastructure Facility	10.00
	06/2011/2: Economic Development – Intellectual Property Rights	1.00
	07/2011/2: Energy	4.00
	08/2011/2: Agriculture and Rural Development	4.50
	09/2011/2: Veterinary and Food Safety	2.95
	10/2011/2: Youth and Media	2.60
	11/2011/2: Social Welfare and Community Stabilisation	4.00

	12/2011/2: Education	7.00
Public Administration Reform		8.70
	13/2011/3: Public Administration Reform	2.70
	14/2011/3: Public Finance	3.50
	15/2011/3: Institution Building (TAIEX)	2.50
Support and Other Activities		3.55
	16/2011/4: EU Programmes	0.50
	17/2011/4: Support Measures and Technical Assistance Facility	3.05
TOTAL		62.90

2.2.2 Component II

The 2010-2011 Cross-Border Cooperation Programmes for Kosovo-Albania and Kosovo-the former Yugoslav Republic of Macedonia were approved in December 2010. The Financing Agreements were finalised in the third and last quarter of 2011. The programme with Albania will be implemented through a call for proposals. In the programme with the former Yugoslav Republic of Macedonia, the allocation for first year (2010) foresees a strategic project: a border crossing point while the second year (2011) will be implemented through a call for proposals.

The programming of the Kosovo – Montenegro programme for 2011-2013 was finalised and adopted in December 2011.

3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2011

3.1 Success stories

The new Border Management System (BMS) is an achievement for Kosovo in the area of rule of law. Kosovo's borders can now be managed in accordance with European Standards, as the border authorities have installed a potentially Schengen compatible communication system and received equipment for border control. Financed under the IPA 2008 (EUR 3.0 million), the BMS will allow a structured and formalised border crossing for people entering and leaving Kosovo. It will alert Border Police when wanted criminals attempt to enter or leave the country.

Furthermore, Kosovo carried out its first population and housing census after three decades. With an EU contribution of EUR 2.5 million to a Multi-Donor Trust Fund (under IPA 2010) this census provides valuable statistical information on the population and its living conditions, information that will direct policy planning over the next decade. The final results will be published later in 2012.

In Roma Mahalla, an additional 14 Roma, Ashkali and Egyptian families have moved to their new homes. Until now the families were living in dire conditions in Osterode camp. This brought the total number of families resettled by the EU from the lead-contaminated camps in north Mitrovica to 65 (in total: 253 men, women, and children). This move also brought the permanent closure of Osterode within reach. The programme financed under IPA 2007 with EUR 5 million covered the physical relocation of Roma, Ashkali and Egyptian families into new houses, as well as vocational training, medical screening and treatment, health education, increasing access to formal education, provision of legal support, and community development projects.

The last five reconstructed bridges on the M2 road (connecting Kosovo with the former Yugoslav Republic of Macedonia) were inaugurated in 2011. The M2 road is the primary access route in and out of Kosovo for both freight and passenger transport. With all the bridges reconstructed according to European standards, safe conditions for traffic are ensured and economic development is facilitated. This project was financed under IPA 2007 with EUR 6.7 million.

The first Regional Cultural Heritage Centre in the Balkans was inaugurated in 2011. The Centre located in the Beledije (in Turkish '*municipal house*') building in Prizren which was refurbished with EU funds under the PHARE Project "Development of a regional cultural heritage facility in Kosovo"* (EUR 1.5 million,) offers accredited training programmes in the field of cultural heritage for all types of professionals across the region (public and private experts, practitioners and students), in line with EU and international standards and based on a multi-disciplinary approach.

Continuous assistance to procurement reform in Kosovo has led to the adoption of a new acquis-compatible public procurement law. This new law provides a building block for an effective public procurement system which promotes efficiency and effectiveness in the use of scarce public funds. It also aims to increase transparency and equal treatment. The project was funded under IPA 2007 with EUR 1.9 million.

3.2 Overview of the implementation status of the different instruments and components

Component 1: advanced substantially compared to the previous reporting year in terms of contracting (see e.g. data for IPA 2008, 2009 and 2010).

* This is the only PHARE programme implemented by the EU Office.

The key risk relates to essential preconditions not being in place at the start of the project (example: permits and licenses in works contracts). This is mitigated by: (1) being diligent in selecting projects (to avoid problems), and (2) maintaining close cooperation with project beneficiaries (MEI, line ministries, etc.) (to solve remaining problems during implementation).

Component 2: contracting yet to start (apart from technical assistance contracts)

Components 3, 4 and 5: not applicable

3.3 Sector I: Justice and Home Affairs (focus on visa liberalisation and the judiciary)

Project implementation in the area of judiciary and home affairs continued to strengthen the rule of law related institutions in Kosovo, with the aim of contributing to a transparent, independent judiciary system, which respects human rights. EU funds continued to support the integrated border management system and the Kosovo Police with the necessary equipment, in order to enable these structures to provide services closer to EU standards.

IPA assistance in the rule of law area also supported preparations for the visa liberalisation process, which is expected to start in 2012. A concrete example is the EU-RAM (Re-admission and asylum) Twinning project aiming at aligning asylum and migration legislation with the EU *acquis* and at further strengthening the administrative capacity of the Kosovo institutions to implement it. The project's main concrete outputs are: (i) improvement of the managerial, administrative and legal capacities of the Department for Citizenship, Asylum and Migration; (ii) enhancement of the capacities of the Department for Citizenship, Asylum and Migration in dealing with challenges due to the management of an increasing number of returning Kosovo citizens (re-integration). The project ended in February 2012.

In the field of document security and proper functioning of civil status related procedures as one of the key criteria in the visa liberalisation process, the EU continued its support to the civil registry key institutions in Kosovo. The IPA 2009 project "Support to the Civil Registration Agency and Unified Address System" directly contributed to the drafting and adoption of the Law on Address System in Kosovo and is still supporting the drafting of the administrative instructions on civil registration and address system.

Other relevant areas supported by IPA are: fight against trafficking in human beings; legal education reform targeting university and other institutions in the judiciary such as the Kosovo Judicial Council; support to juvenile justice reform.

3.4 Sector II: Private Sector Development (focus on trade and business environment)

Private sector development continued to be supported through IPA at the central and local level. In particular, the Ministry of Trade and Industry received support focusing on two important aspects of EU accession:

- Support to access to the EU Internal Market. EU support was provided through TAIEX for better use of Quality Infrastructure related laboratory equipment provided by the EU. In addition, a comprehensive assessment of further needs of the Ministry and related Quality Infrastructure bodies was produced by EU experts as guidance for future IPA support in this sector.
- Support to competitiveness of the private sector. An EU technical assistance project in support to the Ministry, the SME Agency, and Investment Promotion and Export Support Agency facilitated the adoption of Kosovo's first SME Strategy. The project also improved the legal environment for business registration and economic activity by supporting the drafting of the respective laws. The same project allowed the start of a restructuring process of the institutions in support to Private Sector Development in Kosovo.

3.4 Sector III: Public Administration Reform

In 2011 the assistance to this third priority area mainly focused on the development of administrative capacity of Kosovo's civil service, local government and the wider decentralisation process, public finance management public procurement and statistics. In the field of public finance management, the EU supported the Office of the Auditor General, the financial control framework and internal audit systems, and the improvement of the quality of public investment allocation decisions, through further development of the Public Investment Programme.

IPA assistance produced a number of concrete results in 2011.

The multiannual EU scholarships for future civil servants (Young Cell Scheme) continued in 2011; 40 new students started a degree programme at an EU university and 31 returned to Kosovo to start their work in the public administration.

The preliminary results of the Population and Housing census carried out in 2011 were published in July 2011. The results will contribute to the strengthening of Kosovo's statistical system that will be used as a basis for decision-making by public authorities, as well as a fundamental pillar for the statistical system.

The legal framework for public procurement was adopted and increases compliance with EU Directives in this area. The law introduces legislative provisions which modernise and facilitate efficient and effective procurement, increasing transparency, equal treatment and proportional use of resources.

The EU Office continued to use the Twinning instrument as implementing modality for capacity building projects. An example is the project involving the Office of the Auditor General: the Twinning contributed to improving the capacity of the Office of Auditor General to provide quality information on the use of public funds and to further develop good governance across the public sector in Kosovo. In addition, SIGMA provided continued support in the area of public administration reform.

3.5 Cross-border cooperation

Kosovo's Operating Structure for cross-border cooperation, the Ministry of Local Government Administration, received support from an EU technical assistance project in order to start the implementation of three cross-border programmes: Kosovo-Albania, Kosovo-the former Yugoslav Republic of Macedonia and Kosovo-Montenegro. The Ministry received a grant from the EU in order to ensure participation of Kosovo in the Joint Technical Secretariat established for the Kosovo-Albania programme. Preparations of a study and technical design for a joint border crossing point between Kosovo and the former Yugoslav Republic of Macedonia started.

4. IMPLEMENTATION AND MONITORING MODALITIES AND STRUCTURES

In 2011 Kosovo was included in the target area of the Result-Oriented Monitoring (ROM) project managed by DG Enlargement's Regional and Horizontal Programmes unit. Accordingly, most of the on-going IPA projects were monitored by an independent team of experts.

51 national projects with a total value of approximately EUR 119 million were covered by ROM assessments carried out through four missions. The 51 ROM assessments included two ex post ROM reports.

The average score of the 51 projects' performance is 2.89 on the scale from 4 - very good to 1 - serious deficiencies. The range of scores went from 1.91 (Contract 251905 – Support to legal translators and legal linguists) to 3.71 (Contract 226595 – New construction and upgrade of 400 and 110 Kv Overhead Transmission Lines – Lot 2). Other highly rated projects (good practice examples) were Contract 245805 – Capacity Building of Kosovo Medicines Agency (Score: 3.59) and Contract 230219 – Support to Kosovo participation in the European Common Aviation Area (Score 3.57).

Overall, the monitoring reports have indicated that that design and relevance were strong points in the monitored projects while sustainability was identified as a point for attention.

Efforts have been made by the EU Office to ensure that the role and tasks of the Operations Section (OPS) were tailored to the new environment by increasing the role of the Contracts & Finance Section in ex-post controls. An in-depth and systematic *ex post* control is performed by financial officers at the time of the invoice analysis. *Ex post* controls and joint monitoring missions with OPS will be performed for:

- a) All supply and work contracts at the time of the provisional and final acceptance. Those missions will be conducted in close cooperation with OPS while C&F will have as main responsibility to control the rules of origin (alignment between certificates and the products,...), to check the quantity and eventually the quality

of the items delivered and to ensure that the requirements as specified in the TS have been respected (width and thickness of road,...)

- b) Grant agreements will be submitted to a financial verification by EU Office staff. Such missions will have as main objective to ensure the existence and eligibility of the expenses encountered for a determined period, as well as to assess the control environment, taking into consideration the size of the organisation.

PART II - FINANCIAL DATA

On implementation of assistance at 31 December 2011

IPA Kosovo

Kosovo	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	82,704,005	82,584,944	99.86%	73,242,931	88.56%
IPA 2008	183,318,922	182,899,550	99.77%	114,461,570	62.44%
IPA 2009	103,600,000	64,472,406	62.23%	36,213,965	34.96%
IPA 2010	72,100,000	39,551,787	54.86%	15,620,838	21.67%
IPA 2011	68,900,000	4,200,000	6.10%	3,990,000	5.79%
Total	510,622,927	373,708,687	73.19%	243,529,303	47.69%

IPA – Component I National Programme Kosovo

Kosovo	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	62,000,000	61,880,939	99.81%	52,538,926	84.74%
IPA 2008	182,700,000	182,576,330	99.93%	114,138,350	62.47%
IPA 2009	103,600,000	64,472,406	62.23%	36,213,965	34.96%
IPA 2010	63,900,000	32,491,787	50.85%	8,590,620	13.44%
IPA 2011	62,900,000	0	0.00%	0	0.00%
Total	475,100,000	341,421,462	71.86%	211,481,860	44.51%

IPA – Component II (CBC) Programme Kosovo

Kosovo	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007					
IPA 2008					
IPA 2009					
IPA 2010	1,200,000	60,000	5.00%	30,218	2.52%
IPA 2011	1,800,000	0	0.00%	0	0.00%
Total	3,000,000	60,000	2.00%	30,218	1.01%

Status of Implementation of IPA financial assistance per country at 31st December 2011 of total committed funds (2007 – 2011):

At 31st December 2011 IPA Component I managed by DG ELARG:

EUR Million	Committed	Contracted	Percentage	Paid	Percentage
<i>Albania</i>	348.37	233.69	67.1%	102.45	29.4%
<i>Bosnia and Herzegovina</i>	389.83	186.98	48.0%	103.26	26.5%
<i>Croatia</i>	206.06	100.62	48.8%	71.19	34.5%
<i>the former Yugoslav Republic of Macedonia</i>	174.02	66.66	38.3%	48.53	27.9%
<i>Iceland</i>	12.00	0.00	0.0%	0.00	0.0%
<i>Kosovo</i>	475.10	341.42	71.9%	211.48	44.5%
<i>Montenegro</i>	134.24	89.83	66.9%	61.02	45.5%
<i>Serbia</i>	857.39	593.38	69.2%	380.14	44.3%
<i>Turkey</i>	1,164.66	597.40	51.3%	425.14	36.5%
<i>Multi Beneficiary</i>	729.18	597.32	81.9%	431.30	59.1%

Total	4,490.85	2,807.30	62.5%	1,834.51	40.8%
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At 31st December 2011 IPA Component II managed by DG ELARG:

EUR Million	Committed	Contracted	Percentage	Paid	Percentage
<i>Albania</i>	18.59	2.76	14.8%	2.16	11.6%
<i>Bosnia and Herzegovina</i>	12.52	4.77	38.1%	3.12	24.9%
<i>Croatia</i>	12.52	4.42	35.3%	2.09	16.7%
<i>the former Yugoslav Republic of Macedonia</i>	15.53	1.97	12.7%	1.05	6.7%
<i>Kosovo</i>	3.00	0.06	2.0%	0.03	1.0%
<i>Montenegro</i>	14.94	5.45	36.5%	3.62	24.2%
<i>Serbia</i>	16.37	6.57	40.1%	4.63	28.3%
<i>Turkey</i>	7.00	1.13	16.2%	0.49	7.0%
Total	100.47	27.13	27.0%	17.19	17.1%

At 31st December 2011 IPA Component II managed by DG REGIO:

EUR Million	Committed	Paid	Percentage
<i>Adriatic</i>	166.49	45.22	27.2%
<i>Slovenia-Croatia</i>	28.95	11.28	39.0%
<i>Hungary-Croatia</i>	35.54	12.57	35.4%
<i>Hungary-Serbia</i>	33.97	12.33	36.3%
<i>Romania-Serbia</i>	36.01	10.17	28.3%
<i>Bulgaria-Serbia</i>	21.26	5.78	27.2%
<i>Bulgaria-the former Yugoslav Republic of Macedonia</i>	12.14	3.30	27.2%
<i>Bulgaria-Turkey</i>	18.49	5.02	27.2%
<i>Greece-the former Yugoslav Republic of Macedonia</i>	10.20	3.93	38.5%
<i>Greece-Albania</i>	7.67	2.95	38.5%
Total	370.72	112.54	30.4%

At 31st December 2011 IPA Component III managed by DG REGIO:

EUR Million	Committed	Paid	Percentage
<i>Croatia</i>	257.35	78.03	30.3%
<i>the former Yugoslav Republic of Macedonia</i>	109.20	26.96	24.7%
<i>Turkey</i>	1,055.50	333.11	31.6%
Total	1,422.05	438.09	30.8%

At 31st December 2011 IPA Component IV managed by DG EMPL:

<i>EUR Million</i>	<i>Committed</i>	<i>Paid</i>	<i>Percentage</i>
<i>Croatia</i>	69.98	22.20	31.7%
<i>the former Yugoslav Republic of Macedonia</i>	33.50	9.61	28.7%
<i>Turkey</i>	299.70	64.51	21.5%
Total	403.18	96.32	23.9%

At 31st December 2011 IPA Component V managed by DG AGRI:

<i>EUR Million</i>	<i>Committed</i>	<i>Paid</i>	<i>Percentage</i>
<i>Croatia</i>	129.40	25.78	19.9%
<i>the former Yugoslav Republic of Macedonia</i>	47.50	10.25	21.6%
<i>Turkey</i>	463.00	80.94	17.5%
Total	639.90	116.96	18.3%

B. MULTI-BENEFICIARY

1. SUMMARY

Progress has been made in regional cooperation in the Western Balkans in the areas of justice and home affairs, statistics, energy, environmental and civil protection, cultural heritage and refugee return. The Regional School of Public Administration (ReSPA) is now fully operational. New bilateral agreements on police cooperation and on mutual legal assistance are encouraging signs for the commitment of several Western Balkan countries to strengthen judicial cooperation. Similar efforts promoting and facilitating local and regional cooperation at government level as well as through the inclusion of Non-Governmental Organisations have been undertaken with the aim of moving forward to lasting reconciliation, notably through the Igman Initiative, the RECOM initiative on reconciliation and the Sarajevo Process on refugee return.

2. STRATEGIC PLANNING AND PROGRAMMING

2.1 Multi-Annual Indicative Planning Document

The Multi-beneficiary (MB) Multi-annual Indicative Planning Document (MIPD) 2011-2013 identifies the following priorities: (1) to maintain the momentum of reform of the judiciary and public administration; (2) to enhance regional cooperation in the fight against organised crime and corruption; (3) to contribute to ensuring non-discrimination and respect for human rights as well as freedom of expression; (4) to help completing the process of reconciliation in the Western Balkans; (5) Contribute to building a vibrant civil society; (6) to help the Beneficiaries overcome the economic and financial crisis and prepare for sound recovery by jointly working on increasing competitiveness and investments in infrastructure; and (7) to foster reforms and regional cooperation in education.

To achieve the priorities selected for support in the programming period 2011-2013, the MB MIPD contains seven (7) sectors on which IPA assistance will be focused:

- Justice and home affairs, including fundamental rights and vulnerable groups
- Public administration reform
- Support to civil society
- Private sector development
- Transport and energy infrastructure, including nuclear safety
- Environment and climate change
- Social Development.

Coordination and coherence of assistance and activities is particularly important, given the large number of players involved in Multi-beneficiary IPA assistance programming. The need for strong coordination and coherence has been highlighted to the Commission during consultations as very important by the authorities of the region, including hands-on involvement of the EU Delegations in the implementation.

2.2 PROGRAMMING

2.2.1 Component I

The MIPD for the years 2011 – 2013 was adopted on 20 June 2011. The sector working groups that had been set up in the framework of the consultation process with all stakeholders for the MIPD proved instrumental to enhance the programming process for the MB annual programming process for 2011 and 2012.

All priorities and sectors identified in the MIPD were addressed in the programming exercise but to facilitate programming, the various projects have been consolidated into separate Programmes:

- Multi-beneficiary Programme 2011;
- Tempus Programme 2011;
- Horizontal Programme for Nuclear Safety and Radiation Protection.
- The Civil Society Facility.

The MB annual programme 2011 was adopted on 18 July, followed by the adoption of the Tempus Programme on 20 July. Two amendments to the MB programme 2011 have been prepared to meet additional needs and to support the new regional programme for refugee return (Sarajevo process). The first amendment was adopted on 16 December, whereas the second amendment was prepared to be adopted early 2012.

The Horizontal Programme for Nuclear Safety and Radiation Protection was adopted on 11 November with a focus to not only address current needs in the area but also to pave the way for the implementation of specific road maps for the period 2012 – 2015 that were developed in full consultation with the beneficiaries as well as experts of the EU Member States.

As regards the Civil Society Facility, the design of a single financing decision for civil society support for the period 2011-2012 was completed and the implementing decision for 2011-2012 adopted on 5 December 2011. This decision includes the national IPA allocations as well as the MB assistance.

Table 1: Indicative financial allocations for the year per component, in EUR million

MULTI-BENEFICIARY	2011
I. Transition Assistance and Institution Building	²¹
Of which:	
Multi-beneficiary Programme 1	132.3 8
Amendment to MBP 1	3.50
Civil Society Facility	21.20
Support to the operational budget of the Office of the High Representative (OHR) in Bosnia and Herzegovina	4.89
Support to the Interim Civilian Office Kosovo	4.20
Tempus	15.30
Nuclear safety and radiation protection	4.61
Contribution to the Energy Community Secretariat	2.94
TAIEX	12.00
Information and Communication	11.00
ERDF	1.34
Evaluation, Monitoring and Audit	3.65
TOTAL	217.0 1

The projects that formed part of the 2011 annual programmes were selected in full coordination with the IPA Beneficiaries, other donors, the RCC, civil society and other

²¹ This amount includes national funds for Tempus, Nuclear safety and radiation protection as well as Civil Society Facility, amounts in other budget lines for actions specified in the Multi-beneficiary MIPD, as well as the use of carried over assigned revenues.

stakeholders, taking also into account lessons learnt of past and on-going programmes. Only projects that had achieved sufficient readiness for implementation were accepted.

Table 2: Indicative financial allocations for the year under the Multi-beneficiary Programmes, per sector and per project, in EUR million

MIP D Sector	Projects	Budget
	Sector Justice and Home Affairs	3.60
	MBP 1: PF 1: Promoting Human Rights and protecting	3.60
Sector	Public Administration Reform	10.70
	MBP 1: PF 2:Local Administration Facility	2.50
	MBP 1: PF 3:MB Statistical Cooperation Programme	8.20
Sector	Support to Civil Society	21.20
	Sector Private Sector Development	35.28
	MBP 1: PF 4: Trade logistics	1.50
	MBP 1: PF 5:Regional programme on trade and investment	1.28
	MBP 1: PF 6: Quality infrastructure	2.50
	MBP 1: PF 7: Western Balkan Investment Framework	30.00
	Sector Transport and Energy Infrastructure	50.21
	MBP 1: PF 7: Western Balkan Investment Framework	40.00
	MBP 1: PF 8: Horizontal support to coordination with International Financial Institutions	2.00
	MBP 1: PF 9: Support to Transport Community Treaty	3.60
	Nuclear Safety	4.61

Sector Environment and Climate Change	2.20
MBP 1: PF 10: Building resilience to disasters	2.20
Sector Social Development	36.80
MBP 1: PF 11: Erasmus Mundus Action 1: Western Balkans - Turkey Windows	8.00
MBP 1: PF 12: Erasmus Mundus – Action 2: Partnerships, Lot - Western Balkans	12.00
MBP 1: PF 13: Youth in Action	1.50
Tempus	15.30
Supporting programmes	57.02
MBP 1: PF 14: Participation in EU agencies	8.00
MBP 1: PF 15: CBIB+	2.50
MBP 1 & Amendment No. 1: PF 16: Strengthening European Integration	6.50
Support to the operational budget of the Office of the High Representative (OHR) in Bosnia-Herzegovina	4.89
Support to the Interim Civilian Office Kosovo	4.20
Contribution to the Energy Community Secretariat	2.94
TAIEX	12.00
Information and Communication	11.00
ERDF	1.34
Evaluation, Monitoring and Audit	3.65
TOTAL	217.01

3. IMPLEMENTATION OF EU FINANCIAL ASSISTANCE IN 2011

3.1 Success Stories

In the area of fight against organised crime and corruption it is worth mentioning the projects CARDS 2005 International Law Enforcement Coordination Units (ILECUs,) which ended on 28 February 2011 and IPA 2008 Police Cooperation: Fight against Organised Crime, in particular Illicit Drug Trafficking, and the Prevention of Terrorism (DET ILECU II) which is still on-going. The projects amount respectively to EUR 2 and EUR 2.5 million. Their aim is to improve and enhance international strategic and operational capacities in the fight against organised crime.

In the framework of the ILECU project six Law Enforcement Coordination Units (ILECUs) were established. By signing the Memorandum of Understanding the Beneficiary Countries ensured their political commitment to setting up the units. Furthermore, national Memoranda of Cooperation were signed in the Beneficiary Countries providing sustainable legal bases, which ensured internal cooperation between the various Ministries of Finance, Interior and Justice. The necessary infrastructure was set up and individual knowhow transfers were provided to make the ILECUs effective. The newly established units incorporate all branches of the international Law Enforcement Agencies (Europol, INTERPOL, EUROJUST, SELEC, foreign liaison officers, SIRENE, European judicial networks, FRONTEX and OLAF) creating a single interface. The organisational as well as operational structure and processes were defined in the ILECU Guidelines, which resulted in faster processes for information exchange. The Guidelines were adapted in DET-ILECU II to take account of changes in the Western Balkan region and the project (ILECU Kosovo).

DET-ILECU II: within the first six months of the follow up project the legal framework was set up for ILECU Kosovo and it was up and working by June 2011. All ILECU units in the region were linked by a network through holding regular meetings and building a common training platform. A working relationship with Turkey could also be achieved. In the framework of the Network a quality management system was established for Standard Operational Procedures; these are regularly updated by the network in order to respond to the changes in crime environment. In addition to the ILECU network a counter terrorism network was established in the region. The founding of these networks and the exchange and transfer of regional and international knowledge contributed to the ILECU becoming strong interfaces for both, national and international matters. Faster and more efficient law enforcement processes resulted in a more effective fight against organised crime. Currently a new Memorandum of Understanding is being developed by the Network, which is aimed at ensuring the sustainability of the ILECU in relation to cooperation and will also incorporate the prosecutors responsible for organised crime. The ILECU are an answer to the adaptable and anarchical nature of organised crime and their future perspective is the regions alignment with the EU Member States, legally as well as operationally.

The Western Balkans Investment Fund (WBIF) gained momentum and allowed identifying a considerable number of investment projects which will attract private funding, thereby multiplying the impact of IPA funds.

In 2011 and since the creation of the WBIF in December 2009 the pipeline of projects has grown to represent 123 grants for a value of EUR 220 million, that will trigger nearly EUR 5 billion in loans and a total potential investment of nearly EUR 10 billion across the five key sectors – energy, environment, transport, social issues and private sector development. The 4th Meeting of the Steering Committee of the Western Balkans Investment Framework (WBIF) in June 2011 in Hamar, Norway, approved grants in excess of EUR 21 million for 19 projects in the region. These included for example a pre-feasibility study for the Regional Project of Ionian Adriatic gas Pipeline (520 km total length) contributing to the construction of a regional gas ring, a feasibility study on an electrical 400 kV Interconnection between Serbia, Montenegro and Bosnia and Herzegovina and the preparation for the construction and further development of the Regional Centre for Entrepreneurial Learning in Croatia.

At the 5th meeting of the WBIF Steering Committee in December 2011 in Luxembourg, 22 grants for a total value of EUR 59 million were approved. It is expected that those grants could eventually trigger loans and funds from the International Financial Institutions (IFIs) of more than EUR 1 billion for investments in infrastructure. The Steering Committee approved the Western Balkan Enterprise Development and Innovation Facility (EDIF), funded under the IPA 2011 MB programme as the first action in Private Sector Development to be financed by the WBIF.

The on-going Tempus projects continued to promote reforms in higher education, both at institutional and national level. The projects dealing with curriculum reform contributed in particular to the implementation of the Bologna process in the countries of the Western Balkans, notably by putting into practice and widening the use of European Credit Transfer System (ECTS), the Diploma Supplement and the three-cycle structure. Among other initiatives, a concrete, national-level, Bologna contribution was achieved in the former Yugoslav Republic of Macedonia, where a Tempus project successfully developed a National Qualifications Framework for higher education. Many projects also promoted the regional cooperation in the Western Balkans, for example the project *"Enhancing the quality of distance learning at Western Balkan higher education institutions"* coordinated by the University of Kragujevac and the *"South East European Project for the Advancement of Language Studies"* coordinated by the University of Montenegro.

The selection for the 4th call for proposals ended in July 2011 and a total of 62 new projects were proposed for funding. These included 17 projects targeting the Western Balkans. The projects started their activities on 15 October 2011. The 5th Tempus Call for Proposals was published in November 2011 and was followed by an information campaign in the participating countries including Albania, Bosnia and Herzegovina, Montenegro, Kosovo* and Serbia.

The network of Higher Education Reform Experts (HERE) funded by Tempus also contributed to the implementation of higher education reforms in the Western Balkans. These experts organised events at the local level to promote aspects related to the modernisation of

higher education and were involved when Ministries in their countries were planning legislative reforms. The Tempus programme continued to offer regular opportunities for the HERE network to meet and be trained – one of such events was organised in Albania in February 2011 and focused on Quality Assurance and Accreditation. The seminar led to a series of recommendations on the improvement of quality assurance systems for higher education in the Western Balkans.

3.2 Sector: justice and home affairs, including fundamental rights and vulnerable groups

Strengthening capacities in the fight against cybercrime CyberCrime@IPA

IPA 2010, EUR 2.5 million

The project aims to strengthen the capacities of criminal justice authorities of Western Balkans and Turkey to cooperate effectively against cybercrime.

Within 18 months of implementation, CyberCrime@IPA delivered extensive benefits for the beneficiaries. The project engaged the authorities in a broad process of reform towards a concerted and consistent approach to cybercrime. This process is based on a better understanding of cybercrime as a threat against society, as well as of the complex set of measures to be taken at national, regional and international levels to meet this challenge. Furthermore, the project generated dynamics of cooperation between different organisations and projects while bringing in European and international expertise.

An in-depth analysis of the existing capabilities with regard to cybercrime was prepared in the beginning of the project and complemented during various activities. This analysis allowed the project to address real needs and provide targeted assistance. As a result, the project has achieved significant policy and strategic impact in a range of fields such as: stronger involvement of decision-makers in supporting measures against cybercrime; harmonisation of the legislation, in particular support for legislative amendments as well as signing/ratifying the relevant international treaties; increased the efficiency of the 24/7 network in the region, provided a good practice study on specialised cybercrime units and contributed to networking and developing a culture of cooperation in the region; provided a strategy for law enforcement training; raised awareness of the need to confiscate proceeds from crime on the Internet and strengthened interagency and public-private cooperation against criminal money on the Internet; and provided guidance for strengthening cooperation between law enforcement and internet service providers against cybercrime.

Regional programme for durable solutions for refugees and internally displaced persons during 1991-1995 in South-east Europe IPA 2010, EUR 1.5 million

The main purpose of the project is to provide legal advice, counselling and information to returnees as well as repatriation assistance to eligible refugees in the form of transport of persons and refugee belongings in the region.

During the reporting period, 1,801 refugees received legal advice/assistance and 1,019 Croatian-Serb returnees in Croatia received assistance regarding individual durable solutions. A total of 130 received assistance to voluntary return and 182 were assisted to locally integrate in the region.

Legal advice and assistance was also provided to beneficiaries in Bosnia and Herzegovina, Montenegro and Croatia to take informed decisions on their future: 456 beneficiaries were assisted in Bosnia and Herzegovina, 524 refugees received legal advice/assistance in Montenegro. Repatriation assistance was provided to returnees to Croatia from Serbia and Montenegro and to Bosnia and Herzegovina.

At the technical meeting in November in Banja Luka, UNHCR Bosnia and Herzegovina and Croatia discussed the recently adopted *Croatian laws on Foreigners and Citizenship, repatriation process and data exchange*. It was agreed that UNHCR Croatia would produce a draft leaflet with step-by-step instructions for the former residents in Croatia to regulate their status upon return pointing out defined procedures and possible obstacles.

Migration for Development in the Western Balkans (MIDWEB)

IPA 2009, EUR 1.95 million

The objective of the action is to support informed migration from the Western Balkans (WB) to the EU Member States and to contribute to the positive impact of labour migration on socio-economic development in the Western Balkans.

During the reporting period, the expansion of the *Migrant Service Centres* (MSCs) network and adequate refurbishment with office supplies took place in a number of project locations (new MSC offices became operational in Serbia and Montenegro, refurbishment continued in the new MSCs in Bosnia and Herzegovina). The MSC information campaigns and outreach events were carried out in a number of project locations. *Consular Exchange Meetings* bringing together MSC staff, national governmental stakeholders and consular officials from EU Member States embassies and consulates took place in all project locations. The development of a database on labour market data and shortage occupations for the Western Balkans and a selected number of EU key migration destination countries was completed in partnership with the International Organisation for Migration (IOM).

The *International Conference Fostering Partnerships for Return of Skills and Human Capital* to the Western Balkans took place in Budapest from 19-20 October. A total of 68 governmental and non-governmental stakeholders, from the Western Balkans and the EU Member States, came together to discuss challenges and constraints to the permanent return of qualified nationals to the countries of origin. The Conference provided a platform for policy makers and non-state actors to exchange best practices and identify strategies to minimise 'brain drain' and 'brain waste' resulting from the migration of qualified migrants to more lucrative labour markets and to prepare a set of policy recommendations for adequate responses to the realities of migration today.

3.3 Sector: public administration and reform

Concerning the Regional School of Public Administration (ReSPA) (phase II), a *service contract* (aiming at assisting the development of ReSPA and its institutional and operational capacity to deliver professional training) was finalised in September 2011 and a *direct grant* (supporting ReSPA in the organisation of its activities) is under implementation. The two contracts are financed under IPA 2009 for an amount of EUR 4.4 million.

Among the results achieved by the service contract are: support to the recruitment of ReSPA staff, implementation of the induction plans for newly employed ReSPA staff, short-term external expertise for public procurement, supply of publications and books for ReSPA support to the Liaison Officers in the region.

In June 2011, an agreement between by the Minister of Foreign Affairs of Montenegro and the Director of ReSPA, made ReSPA fully responsible for the running of the premises in Danilovgrad. According to the agreement, ReSPA has the status of an International Organisation acknowledged by the host country authorities. It has legal personality and capacity to perform its functions. The 5th Governing Board meeting was held in December.

During the period July - December 2011 various trainings were organised and financed under the grant scheme: namely, a workshop on the development of leadership skills for managing staff, a training for civil servants on principles and practices of decentralisation in relation to good governance, a training on membership in the EU and the challenges for national administration, a training for civil servants on recruitment and selection, performance management and development and a training on policy impact assessment in the public administration. Moreover, a summer school in European Integration and Regionalism, EU Law and its implementation took place in July, as well as the 18th Intensive Seminar on the European Union.

In terms of multi-country assistance, the project Support for Improvement in Governance and Management in the Western Balkans and Turkey (SIGMA), financed under IPA 2010 for the amount of EUR 10 million, worked on developing a training programme on ethics for ReSPA and Western Balkan countries and on drafting policy papers on the rule of law and the rationalisation of inspectorates. In the area of financial control, SIGMA drafted the overview section of the Commission's compendium on financial control systems in EU Member States, organised a 2nd regional Public Internal Financial Control conference, and provided support to the candidate countries and potential candidates Supreme Audit Institutions' Network. In the area of public procurement, SIGMA published a second set of public procurement policy briefs and provided advice to the Commission on the implementation of the IPA regional training project.

3.4 Sector: civil society support

The overall objective in this area is to strengthen civil society organisations and their role in the political as well as European integration process in the IPA beneficiaries. The aim is to

improve dialogue on legislation and policies between governments and civil society as well as to strengthen social partnerships that underpin reforms. The support is mainly delivered through the *Civil Society Facility* (CSF) which consists of both national and Multi-beneficiary activities that are programmed in a coordinated manner.

By the beginning of 2011, the CSF had received approximately EUR 41.5 million from the Multi-beneficiary IPA programmes (IPA 2007, 2008, 2009 and 2010). During the year, support at the Multi-beneficiary level continued to focus on three areas:

- A. Assisting civil society organisations (CSOs) to increase their capacity, improve their democratic role and to promote networking across borders through *Technical Assistance 'TACSO'* (IPA 2010, EUR 6.7 million).
- B. Helping CSOs to familiarise themselves with EU institutions, policies and decision-making processes and offering them the opportunity to network with their national, regional and European-level counterparts through the *People-2-People Programme* (IPA 2010, EUR 1.785 million)
- C. Offering financial assistance to CSOs working together at a regional level to implement projects on specific themes through *Partnership Actions* (IPA 2008, EUR 5.4 million; IPA 2009, EUR 10 million and IPA 2010, EUR 3.3 million)

Under Partnership Actions, three calls for proposals launched in late 2010 came into operation in early 2011, namely 'Socio-economic Partners (EUR 5 million, 12 grants), 'Minority and vulnerable group organisations' (EUR 2.5 million, 10 grants) and cultural organisations (EUR 2.5 million, 10 grants). In addition, a contract with Unicef was signed in June 2011 targeting 'Children's Rights' (EUR 1.65 million), while a further call for proposals focused on 'Empowerment of Women' (EUR 1.85 million, 11 grants) was completed in November 2011. A number of grants awarded from IPA 2008 appropriations came to an end, namely 'Environment, Energy Efficiency, Health and Safety at Work' (EUR 3.79 million, 15 grants) and 'Fight against Corruption, Organised Crime and Trafficking' (EUR 1.61 million, 9 grants).

During 2011, the CSF was redesigned to improve its relevance, efficiency and effectiveness. As a major change, CSF activities were brought under a single Financing Decision with a multi-annual perspective (IPA 2011 and 2012, EUR 40.05 million).

A thematic evaluation of EU's Support to Civil Society in the Western Balkans and Turkey carried out in 2011 concluded that: "...it can be considered that the EU's priority objective of supporting the development and building the capacity of Western Balkan and Turkish CSOs has to a significant extent been achieved. In particular the EU has played a decisive role and this not only in the period following the conflicts in the former Yugoslavia (post-conflict

*reconstruction), but also in the current process of not only preparation for accession to the EU, but also reconciliation."*²²

3.5 Sector: private sector and

European Fund for Southeast Europe (EFSE) CARDS 2006, IPA 2007, 2008 and 2009; value by 31 Dec 2011 EUR 106 million

The EFSE is a form of public-private-partnership. Its objective is to attract capital from the private sector thereby leveraging public donor funds that will assist the development of the private sector in the region. EFSE extends loans to local commercial banks and micro-finance institutions in the WB for on-lending to micro- and small enterprises and households.

At the end of 2011, the EFSE had granted 300,285 loans for the amount of EUR 1.8 billion (cumulative since 2005) via local partner lending institutions, primarily to micro and small enterprises in Eastern and South Eastern Europe and the Caucasus region. Approximately 315,000 jobs were generated. Moreover, the EFSE has via the Development Facility provided technical support to the value of EUR 6.7 million for 161 projects, including 26 studies. Furthermore, 27 microcredit organisations and microfinance banks and 16 commercial banks were supported. Following the Trusteeship Agreement, one monitoring mission per year is conducted to verify the compliance of investments with EFSE objectives.

Regional Competitiveness Initiative (RCI) - Crisis Response Package IPA 2009, EUR 3.8 million

The overall objective of the RCI is to strengthen the competitiveness of the economies in the Western Balkans in the medium to long term. The RCI focuses on policy responses and capacity building support to improve human capital development and innovation.

The second meeting of the RCI Steering Committee in Sarajevo was organised in December 2011. The Steering Committee reviewed the existing pilot projects and endorsed the launch of three new pilots in Albania, Croatia and Kosovo. RCI Steering Committee members with pilots felt that the mixed team approach and study visits were extremely useful and that the committee should continue its deliberations as an expert body following the conclusion of the RCI project in 2013.

3.6 Sector: transport and energy infrastructure, including nuclear safety

Western Balkans Investment Framework (WBIF) - Socio-economic Development (infrastructure and private sector development)

The WBIF was set up in December 2009 by the European Commission, the EIB, the EBRD and the Council of Europe Development Bank (CEB). The WBIF has the endorsement of the

²²Thematic Evaluation of EU's Support to Civil Society in the Western Balkans and Turkey – Draft Final Report (March 2012), commissioned by DG Enlargement and implemented by IBF International Consulting I collaboration with BAA (Spain), not yet finalised.

EU Member States and its purpose is to expedite the development and implementation of priority investments in key sectors in the WB. This is achieved through mixing loans and grants from the EU and IFIs for jointly agreed priority projects nominated by the Beneficiaries.

The current grant contributions to the WBIF total around EUR 220 million. These grants are used for project preparation and co-financing of investments in infrastructure for which financial support is provided by the partner IFIs; EIB, EBRD, CEB as well as "Kreditanstalt für Wiederaufbau" (KfW) with the World Bank as an associated IFI. Grants will support investments for a value of EUR 10 billion for which IFIs will provide loans worth EUR 5.5 billion.

The largest grant contribution to the WBIF comes from the EU budget. The European Commission has so far set aside more than EUR 180 million in EU funding. Bilateral donors have contributed more than EUR 30 million and the partner IFIs have set aside EUR 10 million each in grant contributions.

Either the IFIs or the European Commission implement the grant assignments. For the implementation of the EU grants, the Commission has awarded technical assistance contracts under the *Infrastructure Project Facility* (IPF), which was the forerunner of WBIF, and has signed contribution agreements with the IFIs for implementation of the *Municipal Window*. Grants provided to the WBIF from bilateral donors and from the IFIs are implemented directly by the IFIs through various technical assistance assignments. The Commission also provides support to enhance coordination between the WBIF stakeholders with respect to policies and strategies in the different sectors.

Horizontal programme on the Energy Efficiency Finance Facility IPA 2007, EUR 34.7 million

This programme is designed to assist beneficiaries promote investments in energy efficiency and renewable energy generation in order to improve energy performance of the building and industry sectors thereby contributing to energy savings and reduction of CO₂ emissions. This is achieved through the provision of financing to commercial banks in the region to increase their portfolios in energy efficiency and renewable energy projects for on-lending to final borrowers. The IFI credit lines under the programme are combined with IPA grants in the form of financial incentives both to partner banks and end-borrowers to facilitate investments.

The pace of implementation in the second half of 2011 increased compared to the previous reporting period. With the signing of all pending loan agreements by the end of 2011, credit lines for a total amount of EUR 145 million combined with EUR 34.7 million IPA grants were fully allocated to projects. Under the EBRD credit line approximately 38% of the grant funds have been allocated to signed sub-loans; the Commission has made available EUR 368,000 to co-fund the extension of the Facility's technical assistance. A joint

monitoring mission with EBRD was carried out in November 2011 visiting 5 renewable and energy efficiency projects in the industry sector in Bosnia and Herzegovina as well as Serbia.

3.7 Sector: environment and climate change

Regional Environmental Network for Accession (RENA) IPA 2009, EUR 5.2 million

The purpose of the project is to enhance regional cooperation in the Western Balkans and Turkey in the field of environment. More specifically, the project aims at establishing tools to assist IPA Beneficiaries in harmonising legal frameworks, improving capacity and designing appropriate intervention mechanisms in line with the EU environmental *acquis*.

During the year 2011 a number of *workshops* took place related to the accession negotiations process, EU requirements and identification of environmental projects, the regulations touching upon the use of chemicals (REACH/CLP ²³), the EU Emissions Trading Scheme, the development of Nature Site Management Plans, investment plans, the Water Framework Directive and approaches to transposition of the Environmental Impact Assessment/Strategic Environmental Assessment directives, as well as the EU Climate and Energy Package, EU policies and legislation in the field of climate change. External *Country assessment reports* have been prepared for Serbia, the former Yugoslav Republic of Macedonia, Montenegro and Bosnia and Herzegovina.

Civil Protection Cooperation for the candidate countries and potential candidates IPA 2009, EUR 3.8 million

The project aims at increasing the IPA Beneficiaries' capability of working with the *Community Civil Protection mechanism* and to contribute to the development of their civil protection capabilities through training, workshops and exchange of experts.

During this reporting period a number of activities took place under the 3 lots/contracts of the project, including 8 country specific meetings under Lot 1 and 8 country specific meetings under Lot 2, the first Table-top exercise, 2 Basic Training Courses (BAT), 1 Operational Management Training Course (OMT), 3 exchanges of experts on Forest Fire Exchange to the Monitoring and Information Centre (MIC), 1st Regional Field Exercise - scenario: earthquake, mass casualty (19-22 Oct, Slovenia; about 400 participants), participation of 2 representatives of beneficiaries in the EU "Poseidon Exercise-earthquake followed by tsunami in the Mediterranean Sea", the first 1.5-day Workshop on the European Civil Protection Mechanism. A survey on Host Nation Support was launched and visibility activities performed which resulted in a brochure and leaflets.

²³REACH: Registration, Evaluation, Authorisation and Restriction of Chemicals

CLP: Classification and Labelling of Chemicals

3.8 Sector: social development

Erasmus Mundus, Action 1 and Action 2 IPA 2007, 2008, 2009 and 2010, EUR 64 million

The purpose of the Erasmus Mundus programme is to enable the exchange of academic staff and students at all levels thereby enhancing their knowledge and skills. A new Call for Proposals for the 2012 selection of joint programmes, partnerships and projects under all three Actions of the programme was published in December 2011, with a deadline of 30 April 2012.

In November 2011 the promotion of Erasmus Mundus programme in Albania in the framework of the conference "*Europe 2020 strategy in the field of Science, Research, Technology, and Education and Training*" was organised by TAIEX in co-operation with the Ministry of Education and Science of the Republic of Albania. A presentation of the programme and specific workshops were held in order to increase the number of applications from partnerships which involve Albanian institutions, as well as to disseminate the scholarship opportunities open to Western Balkans students and staff.

Youth in Action IPA 2007, 2008, 2009 and 2010, EUR 5.5 million

The purpose of this programme is to promote the sector of non-formal education and youth in the region by supporting exchanges of young people and those active in youth work and youth organisations as well as initiatives that reinforce young people's mutual understanding, sense of solidarity and tolerance.

During the second selection round 2011, 258 Youth in Action projects have been submitted at centralised level. Within those projects, 125 have been presented by Western Balkan applicants (48%). In September 2011, 121 centralised Youth in Action projects have been selected for funding under this second selection round 2011. Within those projects, 33 projects have been financed by the *Youth Balkan Window*. The repartition of the projects selected was as follows: 16 projects presented by Serbian promoters, 11 projects presented by the Former Yugoslav Republic of Macedonia promoters, 5 projects submitted by Albanian promoters and 1 project presented by a Kosovan promoter. In terms of thematic repartition, 2 projects were granted under the Action 2 of the Programme (*European Voluntary Service*) and 31 projects were selected under the Action 3.1 of the Programme (*Cooperation with neighbouring partner countries in the field of youth exchanges, training and networking*).

PART II - FINANCIAL DATA

On implementation of assistance at 31 December 2011

IPA Multi-Beneficiary

Multi Beneficiary	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	107,313,737	107,313,737	100.00%	94,312,436	87.88%
IPA 2008	154,535,468	146,628,033	94.88%	120,101,699	77.72%
IPA 2009	206,760,000	198,070,358	95.80%	153,179,211	74.09%
IPA 2010	110,601,400	101,599,560	91.86%	52,175,822	47.17%
IPA 2011	168,207,500	57,064,208	33.92%	18,439,328	10.96%
Total	747,418,105	610,675,896	81.70%	438,208,496	58.63%

IPA – Component II (CBC) Programme Multi- Beneficiary

Multi Beneficiary	Allocated	Contracted	% Contracted	Paid	% Paid
IPA 2007	8,753,000	6,534,717	74.66%	4,784,595	54.66%
IPA 2008	7,285,021	3,439,224	47.21%	2,065,757	28.36%
IPA 2009	2,200,000	120,000	5.45%	54,637	2.48%
IPA 2010					
IPA 2011					
Total	18,238,021	10,093,941	55.35%	6,904,988	37.86%

C. TOWARDS A MORE EFFICIENT AND EFFECTIVE DELIVERY OF ASSISTANCE MORE CLOSELY TO THE ENLARGEMENT POLICY PRIORITIES AND THE SECTOR APPROACH

Towards a new IPA Regulation for 2014-2020

At the strategic level, 2011 was marked by preparations for the new instrument for pre-accession assistance for the post-2013 period. The result of the extensive stakeholder consultation that had been launched with the 2010 IPA Conference fed into an *ex ante* evaluation on the future pre-accession assistance instrument and contributed substantially to shape the proposal for the IPA II Regulation that the Commission adopted on 7 December 2011, as part of a package of external action instruments. In line with stakeholders' input, provided at the 2011 IPA Conference, the Commission proposal reflected the vision of a renewed IPA instrument that should make financial assistance for pre-accession more strategic and result-oriented, based on longer term planning and programming in line with the enlargement strategy and priorities; more coherent as to the support provided under the current components; more flexible and tailored to address beneficiary countries' needs and capacities in an enlargement context; more efficient, effective and simple, in the framework of a common approach applying to all EU internal and external action instruments in the next 2014-2020 Multi-Annual Financial Framework²⁴. Public administration reform, good governance, the rule of law and the fight against corruption and organised crime as well as socio-economic development and regional cooperation will remain a key focus of future pre-accession assistance.

Work on the new instrument will continue in 2012 and 2013. While the proposal for the IPA II Regulation is subject to discussion and negotiation in Parliament and Council, with view to adoption by ordinary legislative procedure by the end of 2012 or early 2013, the Commission will prepare the draft IPA-specific Implementing Regulation and the strategic planning documents, thus completing the framework for programming and delivering IPA II assistance. The strategic planning framework will be inspired by the methods in use in the EU for structural funds, with an overall IPA Common Strategic Framework setting the general policy for the assistance and country/multi-country strategy papers for the full period of the next multiannual financial framework. The preparation of sector (multi-annual) operational programmes to implement the strategy papers will follow. The above will require enlargement countries to set up comprehensive national strategies that IPA II can support. In IPA countries, the main focus should be on securing strong local ownership and broad consensus on the strategies to be put in place, and on improving the capacity to plan, implement and monitor their implementation and to integrate this into the broader preparations for EU membership.

²⁴Cf. Proposal for a Regulation of the European Parliament and of the Council on the Instrument for Pre-accession Assistance (IPA II), COM (2011) 838 final, 7.12.2011.

2. TOWARDS A MORE EFFICIENT DELIVERY OF ASSISTANCE: GRADUALLY IMPLEMENTING THE SECTOR APPROACH TO THE ENLARGEMENT POLICY PRIORITIES

The sector approach

In 2011 the Commission continued to work towards introducing a more comprehensive approach and to gradually extend it to all policy priorities of pre-accession assistance. With the support of the European Training Foundation, in June it organised a three-day pilot training on sector support, designed for the Enlargement context and to give staff in Headquarters and EU Delegations in enlargement countries a more in-depth understanding of how support through sector programmes or more systematic programme-based approaches can help improve sustainable and more results oriented pre-accession assistance. Case studies and examples of practical applications and experience were used, including from Kosovo (developing a sector approach in Education), Turkey (evaluating Public Finance Management) and Serbia (indicator setting for the Justice sector). The aim was to help participants develop an approach to programming based on national sector policies and action plans and improved needs assessment and risk analysis. This would ultimately allow alignment with beneficiary countries' systems and institutions, thereby building capacity and increasing aid absorption. Feed-back on the training was overall positive. Knowledge and commitment were reinforced through engaged and positive discussion.

The overall conclusion drawn from the training was that the change from a project-based approach to a sector-wide approach takes time and can only take place *progressively*. There is no ready-made 'recipe' for implementing the sector approach, no unique model applicable for all countries.

As a follow-up to this training, the Commission set up a dedicated "task force" to make the sector approach operational in all the policy priorities of the Enlargement countries. Other steps envisaged included the revision of the IPA Programming Guide and programming templates, for programming on a multi-annual basis already for the period 2012-2013 and progressively in line with a sector approach thereafter. A first revision of the programming templates was completed by the end of 2011; resulting in sector identification fiches to be prepared by beneficiary countries as a preliminary step to drawing up programmes and, if needed, project identification fiches. Further revisions of the programming templates will continue in 2012, together with a general revision of the Programming Guide.

In 2012 the Commission will also continue to provide seminars and workshops on sector approaches to staff in EU Delegations and to beneficiaries. A Joint Commission/World Bank-implemented project on Monitoring, Indicators and Evaluation in the Western Balkans and Turkey, for which discussion started in 2011, should also begin in 2012. The relevance of this project and, generally, of monitoring and evaluation work in the wider context of implementing the sector approach rests on the expectation that performance assessment frameworks setting clearer objectives and measurable indicators for a sector will allow progress to be quantified and that regular monitoring will help ensure that where a programme in a given sector is not achieving its objectives, action can be taken to put implementation back on track.

2.2 The main lessons learnt from evaluation

An evaluation to support the preparation of pre-accession financial instruments beyond 2013²⁵, found that there is a strong rationale for a future pre-accession financial instrument. The preferred option of the evaluators was the continuation of the current programme with similar levels of EU funding. The evaluation concluded also that the economic and wider benefits to the EU of enlargement involving the current beneficiaries would more than offset the cost to the EU of a new financial instrument.

The first part of a thematic evaluation of EU's support to civil society in the Western Balkans and Turkey²⁶ provided an assessment of the intervention logic, and concluded that interventions are relevant for the objectives identified in the MIPDs²⁷. However, measurement of progress is challenged by the lack of sufficiently SMART²⁸ indicators and the wide definition of strategic objectives.

An evaluation of Twinning in Turkey²⁹ concluded that the vast majority of Twinning projects in Turkey achieved their objectives, and the presence of synergies between Twinning projects and other EU and/or donor funded projects was a key factor supporting that success. The most common reasons for Twinning projects to fail to deliver included: lack of political commitment, problems with procurement, inadequate expert mobilization from the Member State institutions, and an outdated needs assessment.

A strategic interim evaluation of regional cooperation in the Western Balkans and Turkey³⁰, found that programming could be improved by increasing beneficiaries' ownership of regional programmes, and through better interaction with the stakeholders. The evaluation also found that coherence between IPA regional and national programmes needs to be increased through more systematic information sharing during the programming phase. Overall objectives should be linked more closely with project objectives, and should be made measurable through SMART indicators. The evaluation concluded that efficiency and effectiveness have been improving slowly.

A thematic evaluation of IPA-funded information and communication activities³¹ concluded that whilst the overall objectives of IPA-funded information and communication activities are clear and coherent at Headquarters and Delegation level, specific objectives are too broad and do not meet the SMART criteria. IPA information and communication funds have generally

²⁵ Evaluation to support the preparation of pre-accession financial instruments beyond 2013, 13 June 2011

²⁶ Thematic Evaluation of the EU's Support to Civil Society in the Western Balkans and Turkey, June 2011

²⁷ Multiannual Indicative Planning Documents.

²⁸ Specific, Measurable, Achievable, Realistic and Time-bound.

²⁹ Review of Twinning in Turkey, 23 May 2011

³⁰ Strategic/Interim Evaluation of Regional Cooperation in the Western Balkans and Turkey, May 2011

³¹ Thematic Evaluation of Pre-accession assistance to support communication activities, 7 June 2011

been deployed in an efficient manner. However, efficiency could be increased by downscaling activities with limited effectiveness and greater concentration of resources on fewer activities. Information and Communication activities are clearly visible and effective for audiences with an interest in enlargement but less so for “non-informed” audiences and the broader public.

Further on, a thematic evaluation of EU pre-accession multi-beneficiary assistance to Western Balkans and Turkey in the fields of environment and disaster risk reduction³² was also completed. It found that objectives are too broad and not sufficiently linked across the different programming stages. Also, a key contribution of the multi beneficiary programmes has been the promotion of beneficiaries' institutional change towards working together on environment and disaster risk reduction issues by encouraging networking and sharing experiences. Impact and sustainability of programmes is hampered by uneven commitment and ownership of the beneficiary countries, which often dedicate limited human and financial resources and sometimes do not plan follow-up actions beyond EU assistance. Multi-annual long-term projects have proved to be effective in creating sustainable links between participants beyond the projects implementation. However, the evaluation also found that dissemination and visibility activities are not fully effective in promoting sustainability.

2.3. Cooperation with the donor community and aid effectiveness

In 2011 the Commission continued to pursue the donor coordination agenda on various issues. Maximising aid effectiveness and demonstrating *results* and impact was one of them. During a key meeting hosted by the OECD in February 2011, some clear issues emerged. This meeting concluded that there was a need for donor-initiated measurement systems to help strengthen related systems in beneficiary countries and to support rigorous, long-term data collection that meet the needs of multiple parties. Future practice should promote greater convergence between the demand and the supply side in results reporting. Joint monitoring and evaluation could help overcome attribution problems in assessing the effectiveness of programmes and strategies and the complementarity of efforts supported by different partners. The issue of results was also a key topic at the 4th High Level Forum on Aid Effectiveness in Busan in November 2011.

The Commission has followed up on the 'results' issue through a dedicated EU Expert Group on Results created in November 2011 with the participation of experts from Member States and other donors. One objective of the group, to be pursued in 2012, is to develop a common EU approach to results as indicated in the Council Conclusions of 14 May 2012 on the Communication 'An Agenda for the Change'. In 2012, the Commission will look into the possibility for a common EU results framework to be developed so that it can also represent a reference framework for measuring and communicating the results of future pre-accession assistance.

³² Thematic Evaluation of EI pre-accession multi-beneficiary assistance to Western Balkans and Turkey, in the fields of environment and disaster risk reduction, May 2011

In 2012, the Commission will also continue work on making data on pre-accession financial assistance available according to the IATI³³ standard for publishing aid information.

The importance of better communicating results and adopting a more results-oriented approach to programme design was raised by the Organization for Economic Co-operation and Development, Development and Co-operation Directorate members also in the framework of discussions on the *OECD DAC Peer Review of the EU 2011-2012*, to which the Commission contributed. With regard to pre-accession assistance, the Commission highlighted how aid effectiveness principles were being incorporated into the Enlargement policy and related financial instrument (IPA): ownership and alignment have a key role in the pre-accession process; the sector approach is gradually being extended in the management of IPA assistance, with focus on key sectors in the enlargement countries such as justice and home affairs; cooperation with other donors, including European and International Financial Institutions (for example in the framework of the WBIF³⁴) and EU Member States (through Twinning) is increasing; budget support is already considered as a possible aid modality, and should continue to be so under IPA II when necessary pre-conditions and guarantees are in place.

The Commission stressed also the strong political leverage for reforms provided by the prospect of EU membership while recalling that, in the context of preparing beneficiary countries to join the EU, pre-accession assistance also has a development objective (it qualifies as official development assistance (ODA), except in the case of Croatia). Further developments in line with a more result-oriented approach were to be expected from IPA II, with increased focus on indicators to measure results and impact and the possibility for financial top-ups to reward good performance.

Work will continue in 2012 to make sure that pre-accession assistance is in line with the various initiatives within the Commission, the Member States and the wider donor community, to improve donor coordination and aid effectiveness and to demonstrate results.

³³ The International Aid Transparency Initiative.

³⁴ Western Balkan Investment Framework, see below.

D. PHARE, CARDS, TURKEY PRE-ACCESSION AND TRANSITION FACILITY –FINANCIAL DATA AT 31ST DECEMBER

1. PHARE, TURKEY PRE-ACCESSION AND TRANSITION FACILITY FUNDS IMPLEMENTATION BY COUNTRY AT THE END OF 2011:

In 2011, there was no longer implementation of pre-IPA instruments (CARDS and PHARE) in Croatia, except for some remaining payments.

Total commitments, contracts and payments, in million EUR³⁵

Partner Country	Commitments	Contracts
Bulgaria	1,931,177,220.20	1,910,672,096.54
Czech Republic	871,696,799.25	871,696,799.25
Croatia	123,868,791.57	123,684,944.82
Cyprus(*)	303,952,990.68	232,888,782.84
Czechoslovakia	231,820,000.00	228,880,000.00
East Germany	28,860,000.00	28,860,000.00
Estonia	321,151,322.78	321,138,766.78
Hungary	1,407,718,324.16	1,407,685,972.16
Latvia	399,445,389.60	399,445,389.60
Lithuania	772,496,698.28	772,496,698.28
Malta	51,952,164.42	51,952,164.42
Multi-country programmes	2,865,235,557.01	2,818,942,866.87
Poland	3,738,116,167.27	3,737,984,899.27
Romania	3,325,958,278.96	3,325,776,203.07

³⁵ Instances of contracted amounts being slightly above allocations are due to interest accruing assigned to the programmes. Instances of decreasing contracted and paid amounts when compared to last year are explained by closures and de-commitments by the local authorities and by the Commission. Payments can also decrease due to some local contracts being excluded from the final declarations.

Slovakia	669,937,531.65	669,804,518.65
Slovenia	342,581,764.85	342,581,764.85
Turkey	1,496,653,099.42	1,496,653,099.42
Total	18,882,622,100.10	18,741,144,966.82

(*) Including assistance to the Turkish Cypriot community

2. CARDS FUNDS IMPLEMENTATION BY COUNTRY AT THE END OF 2011

Total commitments, contracts and payments:

CARDS Total	Allocated	contracted	Percentage	paid	% paid
CARDS 2001	951,941,764	951,941,764	100.00%	951,941,764	100.00%
CARDS 2002	526,714,315	526,129,157	99.89%	525,615,185	99.79%
CARDS 2003	485,017,422	484,821,558	99.96%	484,000,541	99.79%
CARDS 2004	545,815,353	541,386,249	99.19%	537,831,820	98.54%
CARDS 2005	411,760,483	408,857,507	99.29%	402,863,483	97.84%
CARDS 2006	376,224,823	372,270,702	98.95%	354,431,683	94.21%
Total	3,297,474,162	3,285,406,938	99.63%	3,256,684,475	98.76%